Austria	Sch22	Indonesia	Rp3100	Oman	Or1
Bahrain	Din0.700	Iran	Rls270	Philippines	Pso40
Belgium	BFr50	Israel	NS3.50	Portugal	Esc140
Cyprus	C£0.90	Italy	L2000	Qatar	Qr9.00
Denmark	DKr10.50	Jordan	Fils1000	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.50	Lebanon	$2.50	Spain	Pta145
France	FFr7.50	Lux	LFr50	Sweden	SKr10
Germany	DM2.30	Malaysia	Rin4.25	Switz	SFr2.40
Greece	Dr150	Morocco	Dh8.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.50	Tunisia	Din1.000
Iceland	Ikr125	Nigeria	Naira10	Turkey	L1200
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,963 Wednesday October 4 1989 D 8523A

WORLD COURT
Breathing new life from détente
Page 3

World News

Gorbachev snubbed by parliament on strike ban

The Soviet parliament snubbed Mr Mikhail Gorbachev by refusing to agree on a blanket strike ban to stifle the threat of mass industrial unrest – but agreed instead on a selective ban in key sectors of the economy. Page 18

US car emissions

Tighter controls on car emissions are now certain to be introduced in the US over the objections of the motor industry, following a Congressional deal. Page 19

Gabon foils plot

Gabon foiled a plot to overthrow President Omar Bongo and arrested several suspects including the head of the presidential guard.

Afghan peace move

Pakistan and the Soviet Union are discussing a draft resolution to put to the UN on a *political settlement in Afghanistan*. Page 4

EC broadcasting

European Community governments *set minimum standards* for television programmes to be broadcast freely across each other's borders. Page 2

Labour Party ready

UK opposition leader Neil Kinnock heralded the start of the Labour Party campaign to win the next election saying the party was "fit to serve in government". Page 9

Polish name change

Polish communists have voted overwhelmingly to change the *name, programme and statutes* of their party following the loss of power to a Solidarity-led government. Page 2

Apartheid reform

Two South African cities announced moves to join Johannesburg in scrapping so-called petty apartheid, the racial segregation of municipal facilities. Page 4

Lebanon agreement

Lebanese members of parliament agreed in principle to divide seats in parliament equally between Moslems and Christians. Page 4

Intifada demand

The Palestinian underground leadership in the Israeli-occupied territories has called for a sharp escalation of the intifada, or uprising, over the next week. Page 4

Sino-Indian relations

India denied the failure of Chinese Prime Minister Li Peng to include India in a tour of the subcontinent next month indicated any setback to Sino-Indian relations. Page 4

Marcos charges

Philippine corruption proceedings are to be dropped against ex-president Ferdinand Marcos, who died last week, but will continue against his family. Page 4

Consumer safety

International Bar Association conference in Strasbourg heard that courts should have the power to award heavy damages against companies showing disregard for consumer safety. Page 3

Fashionable army

The French army will march out stylishly in 1991 with new uniforms designed by Paris fashion house Balmain.

Business Summary

Dow surges to record on institutional buying

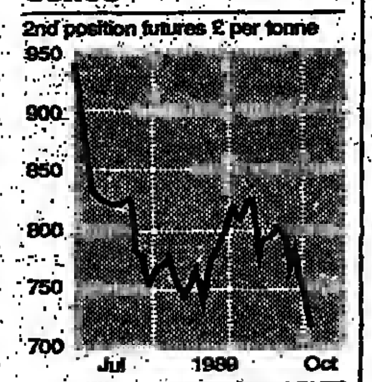
The Dow Jones Industrial Average surged to a new record closing high yesterday on a wave of enthusiastic institutional buying. The Dow closed 40.84 points higher at 2,754.56, beating the previous all-time closing peak on September 1 of 2,752.09. World stock markets, Page 47.

McCAW Cellular Communications, US telecom giant, agreed to pay $1.9bn for half of a New York City cellular telephone franchise. Page 19

COFFEE prices plunged in London and New York after Mr Jorio Dauster, president

Coffee

2nd position futures £ per tonne



of the Brazilian Coffee Institute, said he saw no chance of export quotas being reintroduced in the near-term. Page 38

JAGUAR Cars, UK luxury car maker, saw shares surge up 26p at 599p, as the conviction grew that General Motors, US car manufacturer, intends to intervene in the battle over the company's future. Page 18

DAIMLER-BENZ, West German conglomerate, announced details of $1bn rights issue which will help pay for purchase of Messerschmitt-Bölkow-Blohm (MBB), German aerospace group. Page 19

AKIO Morita, chairman of Sony, Japanese electronics group, planning to buy Columbia Pictures of US for $3.4bn, admitted the company faced "strong criticism" after a poll found 48 per cent of Americans opposed the takeover. Page 4; Management, Page 10

MB GROUP and Caradon of UK are to bring together strong building product brand-names in an agreed deal which values Caradon at about $540m. Page 19

BOUYGUES, large French construction and civil engineering groups, paid $157m for a controlling stake in Grands Moulins de Paris, France's biggest flour group. Page 20

COOPERS & Lybrand and Deloitte, Haskins & Sells, UK accountants, are likely to announce merger of their practices to form a grouping with fee income of $662m. Page 9

BRITISH Aerospace, UK's largest manufacturing group, is believed to have acquired a stake of at least 2 per cent in Ferranti when shares in the beleaguered electronics group resumed trading after a three week suspension. Page 19

NIPPON Telegraph and Telephone, Japan's telecommunications utility, criticised a government proposal that the giant corporation be broken up. Page 4

QATAR, Gulf state, and Davy McKee, UK engineering and contracting company, agreed to jointly set up a $1.25bn aluminium smelter. Page 7

INTEL of California, world's leading manufacturer of advanced computer chips, is to set up an $210m manufacturing plant in the Republic of Ireland. Page 7

OPIC, US Overseas Private Investment Corporation, launched a $30m fund to boost business in Sub-Saharan Africa. Page 7

East Germany cuts Czech escape route for fleeing citizens

By **Leslie Colitt** in Berlin and **Judy Dempsey** in Prague

EAST GERMANY yesterday sanctioned a new exodus of 11,000 of its citizens to the West, while moving to block the main escape route in future by halting unrestricted travel to Czechoslovakia.

The new batch of refugees was being allowed to travel to the West last night in a convoy of special trains from Prague, the Czech capital.

More than 5,000 of the East Germans had camped in the grounds of the West German embassy in Prague and another 1,000 had milled outside the gates. A further 5,000 had rushed across the East German border into Czechoslovakia during the day by car, train and bus to grasp what they saw as a last chance to get to the West.

The East German authorities agreed to defuse the latest refugee crisis by allowing all of them to travel back through its territory on the way to West Germany.

The clampdown on future travel, however, also affects car and rail links to Hungary via Czechoslovakia and effectively ends the mass exodus of East Germans to the West across the open Hungarian border.

Mr Rudolf Seiters, a senior aide to West German Chancellor Helmut Kohl, said Bonn had not agreed to any deals to stop the flow of refugees.

Commenting on East Berlin's decision to end visa-free travel to Czechoslovakia, he said: "We can only hope this is a temporary measure because these are not times for cutting oneself off but for freedom."

The clampdown was announced in East Berlin only three days before Mr Mikhail Gorbachev, the Soviet leader, is to deliver a speech in East Berlin on the eve of the 40th anniversary of East Germany.

A senior East German official said further "counter-measures" against West Germany were under consideration and accused the Bonn Government of jeopardising "everything" reached in relations between the two Germanys since 1972.

He said Bonn had not lived up to a pledge to close its embassy in Prague to East Germans after last Sunday's agreement to allow more than 5,000 East Germans from the West German embassies in Prague and Warsaw to be evacuated by train to West Germany.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, had appealed to East Berlin for a "humanitarian solution" to their plight. The announcement of the East German travel ban by the ADN news agency said that with immediate effect the previous agreement on travel to Czechoslovakia without passports and visas was being "temporarily interrupted."

Czechoslovakia was the only country East Germans could enter without a visa and more than 7m East Germans travelled there last year. Visa-free travel by East Germans to Poland was "suspended" in 1980 after the rise of the Solidarity movement and has yet to be restored.

East Germany has lost almost 40,000 citizens, mainly young people, since Hungary opened its border to Austria.

Now unable to travel at will, frustrated East Germans could present a growing danger to the orthodox leadership under Mr Erich Honecker.

More than 20,000 people took part in a protest demonstration in Leipzig on Monday evening by East Germans demanding reforms.

Communist rift deepens, Page 2; Background, Page 18

FIGHTING CONTINUING ● BUSH DENIES US INVOLVEMENT

Noriega may have repulsed coup attempt

By **Tim Coone** in Managua and **Peter Riddell** in Washington

PANAMA'S military leader, General Manuel Antonio Noriega, appeared to be succeeding in putting down a coup attempt last night led by middle-ranking officers in the Panamanian Defence Forces (PDF).

Fighting broke out in the Central Barracks of the PDF in Panamam City at 8am local time yesterday, as Major Moises Giroldi the head of the garrison took control of the barracks along with two captains, and then issued a communique over national radio claiming that Gen Noriega had been taken prisoner.

Maj Giroldi called for support from other PDF officers and announced that general elections would be held as soon as possible.

However, according to a communique issued last night by senior officers in the PDF, most appear to have stayed loyal to Gen Noriega.

According to a reporter from Panamanian television, who spoke by telephone to the Financial Times, a counter-attack had been launched against the rebels by one of the best-equipped battalions in the PDF.

He said heavy weapons were being used, that "dense clouds of smoke" were coming from the Central Barracks and that loyal troops to Gen Noriega had succeeded in re-entering the military base. A surrender of the rebels was imminent, he said.

US Pentagon officials were last night reported as saying that the coup attempt had failed and General Noriega remained free and in charge.

Faced with conflicting reports from Panama, President George Bush had earlier strongly denied that the attempt was "some American operation."

Similarly, Mr James Baker, the US Secretary of State, said that US "did not initiate this."

Mr Bush stressed that the US had "no argument" with the Panamanian Defence Forces. "Our argument has been, as for many other countries, with Mr Noriega thwarting the democratic will of the people of Panama."

Mr Baker said that if Gen Noriega was out of power in Panama, the US could move speedily to normalise relations: as long as he was in power, there could be no normalisation.

Continued on Page 18

General Noriega

CHRONICLE OF UNREST

June 6, 1987 - Col Roberto Diaz Herrera, former second-in-command of Panama Defence Forces, accuses Noriega of electoral fraud and political murder, sparking protests.
June 10 - President Eric Arturo Delvalle declares state of emergency.
June 26 - US Senate calls for return to democracy in Panama, threatening to cut off aid.
September 24 - US Senate passes resolution urging Panema to establish civilian government, again threatening aid cutoff.
February 4, 1988 - First of two drug and racketeering indictments egainst Noriega.
February 25 - Delvalle tries to fire Noriega, but is ousted himself. Manuel Solis Palma replaces him.
March 4 - Banks closed after massive withdrawals.
March 16 - Noriega puts down coup attempt led by police chief.
April 8 - President Reagan orders US citizens to withhold all payments to Panama.
May 25 - US Secretary of State George Shultz announces talks on a deal for Noriega's departure have collapsed.
May 7 - Elections take place amid charges of fraud.
May 8 - Government ennuls the elections charging "foreign interference" by election observers.
September 1 - Efforts by Organisation of American States to reach a constitutional solution fail. Noriega names unknown bureaucrat Francisco Rodriguez president.

When the power base starts to crumble

By **David Gardner** in London

IT WAS never really likely that General Manuel Antonio Noriega would leave quietly. Leaving his power base in the Panama Defence Forces (PDF) would have made him vulnerable to many old and powerful clients and employers – ranging from the Central Intelligence Agency to the Medellin drug-trafficking cartel – with *whom he has not played* entirely straight over the years. But yesterday this power base appeared to have started crumbling under him.

Whatever the outcome in what last night still looked an uncertain contest within the Panamanian military, the PDF's cohesion, upon which Gen Noriega's position depends, appears finally to have been destroyed.

Gen Noriega's strength lay in the PDF's conviction that their political dominance of, and social prominence in Panamanian society would end if *their commander was forced* out by the US, in alliance with a local opposition based largely on the merchant class. PDF officers, drawn largely from poor, black and mixed *race backgrounds*, have been running Panama since a coup in 1968.

After the last attempted coup against Gen Noriega in March 1988, they acquiesced in his careful restructuring of the chains of command, believing that otherwise they would be politically neutered. Officers of widely varying convictions, many of them hostile to Gen Noriega personally, believed that the real object of the US campaign against the General

Continued on Page 18

Japan monopolies body raids Apple importers

By **Robert Thomson** in Tokyo

OFFICIALS of Japan's Fair Trade Commission, the country's anti-monopoly body, yesterday mounted surprise raids on the offices of Apple Computer Japan and Canon Sales after allegations that both companies have attempted to *impede imports by other companies of Apple computers.*

The investigation into Apple Computer Japan, a subsidiary of the US-based Apple Computer, comes at a sensitive *period in US-Japan relations*, and is likely to irritate members of the US Congress who have long complained about the Japanese distribution system and the reluctance of Japanese companies to import.

Apple Computer Japan said the main allegations against the companies were that they had impeded parallel imports of Apple products, attempted to keep prices artificially high and disrupted advertisements by competing companies.

Both companies denied the allegations, which an official of the commission conceded would probably cause controversy in the US. He said the timing of the raids was a matter of "chance" and that the cases have been under investigation for about three months.

"We are innocent of all these allegations. We have given the officials of the commission our full co-operation in this inspection," Apple said. Officers arrived at Apple's headquarters in Tokyo at 10am and spent most of the day searching files.

Canon Sales, the marketing arm of Canon, the camera and office machine maker, said the company was "shocked" by the raid yesterday morning and denied the allegations.

Among other claims being investigated as part of the main body of allegations, the commission is checking reports that Canon Sales, an authorised dealer of Apple products in Japan, had pressured four computer magazines to refuse advertisements for products sold by parallel importers.

The commission is also investigating a claim that Apple had urged computer repairers not to accept repair requests for competitors' products which have been sold at a substantial discount to those handled by Canon.

If the allegations are proven, the commission has the power

Continued on Page 18

NZ merchant bank collapses year after privatisation move

By **Andrew Pirie** in Wellington

DFC New Zealand, the country's ninth largest financial institution and biggest merchant bank, has been put into the hands of statutory managers less than 12 months after privatisation.

The appointment of statutory managers places a moratorium on the repayment of some NZ$3bn ($1.7bn) of debt that DFC has raised in international capital markets, notably from Japanese investors.

The bank's collapse shook the international commercial paper market, since DFC has some $270m US dollar-denominated paper outstanding in the Euromarkets. It was thought to be the first serious threat of default by a bank in the Euro-commercial paper market.

An undertaking by the statutory managers to honour treasury and liability management commitments is not thought likely to cover commercial paper. Moody's, the credit rating organisation, said $280m of long-term debt was also affected by the decision to freeze funds.

The decision, on the advice of the central bank, follows the decision by its two shareholders - National Provident Fund, the big New Zealand mutual group, and Salomon Brothers, the US investment bank - not to inject further funds.

Last weekend Moody's downgraded DFC's rating for the third time in four months, pushing it below investment grade and putting intolerable pressure on day-to-day funding operations.

Business leaders described the collapse as the worst to hit New Zealand. Mr Paul Collins, chairman of the National Provident Fund and chief executive of Brierley Investments, one of New Zealand's largest companies, said the longer term impact could be serious.

He emphasised the vulnerability of DFC's 4,000 small business clients many of whom have been with the company since it was a state-run development bank in the 1970s. DFC has more than a third of its assets in commercial property.

Mr Collins said the National Provident Fund and Salomon, which own 80 per cent and 20 per cent of DFC, respectively, had decided it would not be prudent to inject more funds. He said that with the National Provident Fund nearly NZ$250m of policyholders' money had already been lost.

Mr Collins said he had attempted to mitigate the situation by seeking to reinstate government guarantees for DFC so that the bank could continue to operate over a period in which it could be gradually wound-down.

But the Government replied that taxpayers were at risk and that the authorities were not prepared to put "good money after bad."

Mr Don Brash, the governor of the central bank, said the Government had cut financial ties with DFC following its sale for NZ$111m last November.

Default worries hit markets, Page 36

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MARKETS

STERLING
New York closing
$1.6045 (1.6140)
London:
$1.6055 (1.618)
DM3.0275 (3.0325)
FFr10.275 (10.2875)
SFr2.625 (2.6275)
Y226.75 (225.75)
£ index 91.2 (91.4)

GOLD
New York: Comex Dec
$371.4 (372.1)
London:
$365.75 (366.5)

N SEA OIL (Argus)
Brent 15-day
$18.75 (+0.2) (Oct)

Chief price changes yesterday: Page 19

DOLLAR
New York closing
DM1.88795 (1.8805)
FFr6.4030 (6.3775)
SFr1.6363 (1.6285)
Y141.30 (139.75)
London:
DM1.886 (1.875)
FFr6.40 (6.3575)
SFr1.635 (1.6245)
Y141.2 (139.45)
$ index 69.9 (69.6)
Tokyo close: Y140.65

US LUNCHTIME RATES
Fed Funds $9\frac{1}{16}$%
3-mo Treasury Bills: yield: 8.036%
Long Bond: $99\frac{2}{32}$
yield: 8.183%

STOCK INDICES
FT-SE 100:
2,318.6 (+29.4)
FT Ordinary:
1,899.3 (+22.4)
FT-A All Share:
1,175.94 (+1.0%)
FT-A long gilt yield index high coupon:
9.70 (9.71)
New York closing
DJ Ind. Av.
2,754.56 (+40.84)
Tokyo: Nikkei
35,366.37 (−256.60)

LONDON MONEY
3-month Interbank:
closing $14\frac{9}{16}$% ($14\frac{1}{2}$)

MARKET REPORTS: CURRENCIES, Page 46; BONDS, Pages 23, 24; COMMODITIES, Page 38; EQUITIES, Pages 39 (London), 50 (World)

CONTENTS

The miracle worker behind the fragile Lebanon ceasefire

Lakhdar Ibrahimi (left), the Algerian diplomat who has worked tirelessly for most of this year to stop the murderous shelling in Beirut, has "performed *the miracle of planting* a rose bush in Lebanon's garbage dump." Page 4

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EC ministers agree minimum TV standards

By David Buchan in Luxembourg

EUROPEAN Community governments yesterday set minimum standards for television programmes which from the early 1990s could be broadcast freely across each other's borders.

The directive to permit frontier-free broadcasting was given final approval at a meeting in Luxembourg of Foreign Ministers of the Twelve with only Denmark and Belgium voting against. Denmark argued against Community competence in this field, while Belgium wanted continued protection for its linguistically fragmented TV industry.

The directive, contested by the US for its call for majority European local content in programming, will come into effect for most EC states next year, with a further two-year grace period for Greece and Portugal.

It sets minimum intervals between advertisements, forbids pornography and gratuitous violence that could harm young viewers, and bans cigarette advertising.

In theory, these standards apply only to programmes broadcast across EC borders, allowing governments to block programmes conforming to the EC norm only in exceptional circumstances. But in the age of satellite and cable transmission almost all programmes reach an international audience, though certain regional Italian TV stations have said they will ignore the directive's advertising limits.

UK officials said the new standards would be enforced in Britain, though they would probably have little impact. News bulletins can be interrupted with an advertising break provided they are at least 30 minutes long, the length of Independent Television's News At Ten. Feature films, however, can be broken only by two publicity breaks in their first 90 minutes.

Chiefly at French insistence, EC states are asked to strive "by practical and appropriate means" towards European-made programmes filling a majority of air time, excluding news and sports bulletins, advertising and games programmes. West Germany yesterday switched support to the directive, having obtained, along with the UK, an assurance that the majority European content requirement was politically but not legally binding.

Mr Martin Bangemann, the EC Internal Market Commissioner, confirmed this when he said that failure to reach the local content goal "would not be sufficient for the Commission to bring member states to court" for breaching the directive. However, he took a swipe at the US by saying that "culture could not be measured in dollars and D-Marks."

Kremlin looks for relief from the economic heat

By Quentin Peel in Moscow

WHEN Mr Mikhail Gorbachev met Ukrainian miners last week he warned them any new strike would be "disastrous" for the economy. Then he told them not to panic.

That was last week. On Monday, *he* appeared to panic. He backed a call for a 15-month ban on strikes, a measure at odds with the whole direction of his economic reforms.

"We must avoid anarchy. We must avoid our reforms being taken hostage," he told the Supreme Soviet. The threat of industrial unrest was such that "if unchecked, it can affect everything that we are doing."

So what made the Kremlin panic? Is the state of the economy, and the threat of further strikes, so dire as to threaten the whole future of reform?

The authorities would certainly have us believe it. For days the official media has carried direct and indirect warnings of gathering chaos, apparently orchestrated as October 1 approached – the date the Government was supposed to fulfil its promises to the miners.

As the first snow fell in Moscow yesterday, the most dire warnings concerned coal stocks at power stations. Dr Leonid Abalkin, Deputy Prime Minister, said they stood at half the normal summer level.

"We are talking about the health of millions," he said. "We cannot play with the lives of people. If we do not stop this process there will be no Soviet power. It will be the end of perestroika."

Mr Lev Voronin, the First Deputy Premier who proposed the strike ban, said power station stocks had actually fallen by 4.5m tonnes. The situation at iron and steel plants is also "critical," he said. The effects on the iron and steel sectors of the miners' settlement – which included a rise in the wholesale price of coal of up to 50 per cent, due to take effect on October 1 – have only just filtered through into the debate.

Mr Serafim Kolpakov, the Metallurgy Industry Minister, called for the postponement of the entire deal, citing serious problems in his sector. This was rejected by Mr Nikolai Ryzhkov, the Prime Minister.

Miners, meanwhile, remain militant, and there is a very real danger that they will walk out again because only half their deal has been fulfilled.

Although many strike committees have been elected almost intact as the new work committees of their mines, they claim the mine managements have disrupted their work by forcing them back to full-time work. Visible to all their members is the continuing lack of foodstuffs, consumer goods, and building materials in the coalfields of Siberia and the North.

On the other hand, their settlement has contributed directly to the current economic dislocation. Mr Mikhail Shchadov, the Coal Industry Minister, has warned that the new working schedules were wreaking havoc with production. So was the fact that in many mines workers had replaced managers.

Perhaps more serious still has been growing chaos on the railways, with huge backlogs of coal at pitheads.

Mr Shchadov said that the backlog unloaded on to trains now stood at 35m tonnes, an increase of 18.5m tonnes over the first eight months of the year. In the Kuzbas alone, where the strike began, coal heaps were on fire from spontaneous combustion at 11 different pits.

It is still unclear how real the threat of a national rail strike has been. The miners call it a bogey created to frighten them back to work.

Yet the railways chaos is a long-standing problem, a function as much of administrative chaos as of industrial unrest. The same is true of the oil and gas industry, where production has reportedly slumped with decentralized decision-making.

There is a suspicion that Mr Gorbachev may be seeking to blame an inevitable standstill in the economy, caused by the upheaval of his reforms, on unruly workers.

To the extent that the attempt to ban all strikes nationwide would have been unworkable, he may have been saved from the embarrassment of a disastrous decision by the growing independence of his own Supreme Soviet.

More aid to Poland endorsed

By David Buchan

EUROPEAN Foreign Ministers yesterday endorsed the need for further food aid to Poland and for Ecu 200m in financial assistance to both Poland and Hungary from the 1990 EC budget.

The European Commission is shortly to propose that the two East European countries should be able to draw on up to Ecu 1bn in loans from the European Investment Bank (EIB).

At yesterday's meeting of foreign ministers, even countries like the UK, previously sceptical about large-scale financial aid, appeared to change their tune. Mr John Major, Foreign Secretary, said EIB loans "might very well be desirable", but not before recipient countries had agreed to economic restructuring conditions with the International Monetary Fund. He disclosed that Western aid donors were now urging Hungary as well as Poland to reach some supervisory arrangement with the IMF.

It was also agreed that Mr Roland Dumas, Foreign Minister of France, which currently holds the EC presidency, would make a diplomatic move on the Twelva's behalf in Prague and East Berlin to try to obtain the passage of the new wave of East German refugees in West German embassies to the West.

The issue of EIB lending – the first aid which the Community has considered on a large scale to the reformist countries of Eastern Europe – is likely to be discussed here next Monday by EC finance ministers who form the Investment Bank'a board of governors.

Striking Peugeot workers at the Sochaux plant vote to continue their action which has hit car output badly

Steelmakers focus their efforts

By David Goodhart in West Berlin

THE ERA when giant mergers were planned between the big West German steel producers is over, but pressure remains to establish joint ventures in particular steel markets, with both domestic and European competitors, according to West German delegates to the annual conference of the International Iron and Steel Institute (IISI).

The slightly weaker world steel market expected in 1990 and 1991, after two boom years, will add to that pressure, says Mr Ruprecht Vondran, chairman of the West German steel federation which supports further concentration among smaller producers.

Mr Lenhard Holschuh, the IISI secretary general, told the conference that steel consumption in Western industrial countries was expected to fall by only 3.4 per cent in 1990, with the EC's decline slightly lower at 2.8 per cent.

Diversification by West German producers continues as shown by Kloeckner-Werke's announcement of its possible acquisition of the DM1bn-turnover BAT plastic processing subsidiary, Eurotec Systemteil.

The recently announced Preussag acquisition of state-owned Salzgitter will reduce steel production to less than 20 per cent of the combined group.

Mr Ernst Pieper, Salzgitter chairman, maintains that there is plenty of product and geographical synergy in the combination. He also stresses that Salzgitter will remain free to negotiate joint ventures in steel, such as the potential agreement with Krupp in galvanised steel.

Thyssen Stahl, the largest West German producer, says it is close to signing deals with two European producers and Hoesch also expects to establish joint deals in the medium term.

The other theme dominating discussion among European producers is the possibility of introducing voluntary qnotas when the market weakens again in the early 1990s. These are allowed under paragraph 46 of the EC charter but require the agreement of the Commission which currently looks unlikely.

In the current year Western world steel consumption is expected to weaken by only 0.5 per cent. However, West German production will continue to expand slightly before weakening a little next year, according to Mr Vondran. West German crude steel will rise from 41m to about 41.5m tonnes and rolled steel from 37.3m to about 37.8m tonnes.

He also pointed to the continuing health of demand among basic steel processors who account for nearly half of crude steel consumption.

Brussels tries to salvage tax harmony proposals

By David Buchan

THE EUROPEAN Commission must today decide what tactics to adopt in the face of a near-unanimous bid by EC governments to undermine the basis of its plan to harmonise direct taxes.

Finance ministers meeting here next Monday will have before them a paper prepared by their officials which virtually rules out the Commission plan for a clearing mechanism to reapportion value added tax receipts if and when border controls disappear among the Twelve.

The Commission has recently suggested a virtual halving of the VAT transactions that would go through its proposed clearing house, bnt insisted that some reapportioning mechanism must be introduced if the VAT system is to operate between EC states post-1992 just as it does today within individual countries. This involves payment of VAT at each stage of the production chain.

However, the governments' paper says: "All states wish to maintain the principle of levying the tax in the country of destination, or importation." This would retain the present practice of VAT zero-rating of exports. For this, border checks are vital to ensure that snch zero-rated goods are really exported, and do not fraudulently re-enter the home market.

Commission officials have reacted with some alarm to the governments' paper, saying it would replace one set of controls (at borders) with two sets (at the place of export and of import). However, they are confronted with the legal fact that all tax proposals require unanimity among the Twelve.

E German exodus deepens rift between Communist regimes

By John Lloyd

THE CONTINUING flight of young, skilled East Germans from their native land throws up a series of questions for the nations of Eastern Europe – qnestions with which they mnst grapple urgently, although they cannot solve them alone.

First, it painfully exposes the rift between the reforming countries of Poland and Hungary and the non-reforming Czechoslovakia, East Germany and Romania.

In deciding to respect the refugee status of the East Germans, the Poles and the Hungarians have provoked intense irritation among their allies.

It has not been the reformers' only crime. Poland now "exporta" its liberation; through increasing contacts between Solidarity MPs and (especially) Czech dissidents. The Polish and Hungarian press regularly criticise their *conservative-socialist* neighbours. Poland's Parliament – including Communist deputies – has condemned the 1968 invasion of Czechoslovakia.

Hungary, through which most of the East Germans have fled, now faces three "fraternal" enemies. The Czechs hate Budapest'a democratisation, resent its press criticism and are irritated over its cancellation of a hydroelectric dam.

On September 11, Radio Prague, commenting on abrogation of Hungarian accords with East Germany to return fugitives, warned "if we get accustomed to violations of international agreements. . . will we not have to worry one day about. . . the Warsaw Pact or. . . Comecon?"

The East Germans are concerned about ideological deviations and they were naturally infuriated over the violation of accords on returning citizens.

Romania has seen thousands of its ethnic Hungarian citizens obtain refugee status from Budapest. Relations between the two have deteriorated to the point where Hungarian officials speak in fear of Romania's missiles.

Recent events threaten the legitimacy of the East German regime. Monday's march by 10,000 demonstrators was the largest protest for over three decades and worst possible news for a leadership about to celebrate 40 years of socialism.

Its response yesterday was to ban visa-less travel but this course risks a build-up of tension among those who would *otherwise be safely on the* other side of the Wall.

The churches – long a muted focus of protest – are now growing bolder.

On September 11, a nationwide group called New Forum emerged, saying it was preparing a reform programme. The next day a group called List Two appeared.

Tha Party remains monolithic: on August 30, its daily, Neues Deutschland, wrote that "*nothing, absolutely nothing*, points to the necessity of a change in course." The regime is probably able to tough it out for the immediate future and may think it can do so indefinitely: but the haemorrhage carries a terrible price.

The refugee crisis also poses fresh problems for Moscow. Pravda blasted Bonn yesterday for an "undisguised attempt to interfere in the internal affairs of the German Democratic Republic. . . timed to coincide with the 40th anniversary of the state" – but it did not, and the Party has not, criticised Hungary for the part it played.

This contrasts with Monday's revelation by the Bonn Government that Sunday's exodus from Prague followed an agreement between Mr Eduard Shevardnadze, Soviet foreign minister, and his Mr Hans-Dietrich Genscher, his West German counterpart.

Mr Mikhail Gorbachev, assailed at home, flies to East Berlin this weekend to attend *the celebrations*. He cannot interfere, at least not publicly. But it is likely he will be looking for a successor to the ailing 77-year-old Mr Honecker – and it would be surprising if he did not look for one who is, or could become, a reformer.

But it remains unclear whether he has the clout to insist on his "own man" or whether cautious reform from the top will answer East Germany'a crumbling discipline.

Forge sit-in blocks talks at Peugeot

By William Dawkins in Paris

TALKS AIMED at calming the month-long pay dispute at Peugeot, the French car maker, yesterday ground to a halt as strikers refused to vacate a forge at one of the two plants hit by the dispute.

By yesterday afternoon, Peugeot production was 40,000-45,000 cars behind schedule, the most serious strike damage ever for the car producer, which along with Citroen is owned by PSA, France's biggest private company.

Peugeot officials estimate the delay is worth between Fr2bn (£195m) and Fr2.25bn (£220m) in delayed sales, several percentage points out of this year's annual turnover, which was projected before the strike to rise to Fr98bn from Fr87.6bn in 1988.

Mr Jacques Calvet, Peugeot's chairman, told the six unions involved at an impromptu meeting on Monday night that the management would embark on talks only if strikers ended their week-long occupation of a forge at Mulhouse in north-eastern France, where the strike started before spreading to nearby Sochaux.

An estimated 300 workers, out of the total of 1,000-2,000 either on strike or taking other industrial action, continued yesterday to occupy the forge.

Mr Calvet repeated his earlier refusal to negotiate on their demands for an estimated 30 per cent salary increase, arguing that Peugeot's survival depended on being able to afford an investment programme higher than average to help fight Japanese competition. Company officials said they were prepared to negotiate only on wage incentives and work conditions.

Peugeot management was planning to meet unions at Mulhouse last night to seek clarification of whether they planned to continue their occupation.

Polish party ballots on change

By Christopher Bobinski in Warsaw

POLAND'S Communist Party, searching for a role after it lost its grip on government six weeks ago, should change its name, statute and programme, according to a ballot held among its 2.2m members, a central committee meeting heard here yesterday.

The ballot taken at the end of last month showed that a majority of the 51 per cent who bothered to reply to the question favoured radical changes. But it also revelead a significant measure of apathy and latent opposition to the present *leadership of Mr Mieczyslaw* Rakowski.

Some 800,000 party members came out in favour of a break with the past at the party's next congress which the leadership want to hold towards the end of January.

Some 280,000, though, were in favour of changes in programme and statute but wanted to stick to the party's present name.

Significantly, a mere 38 per cent of the Katowice party took part. It is in Poland's industrial heartland and, with 236,000 members, is not only the country's most conservative party organisation but also the largest. The turnout was also low in Bielsko Biala, a nearby industrial area, in Legnica in the copper mining belt, in Lodz, a textile town now being hit hardest by inflation, and Gdansk, which is dominated by Solidarity.

But 83 per cent of 68,000 party members in the armed forces who expressed an opinion were in favour of radical change. The ballot results reveal that there are 115,000 party members in the army.

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EUROPEAN NEWS

FT Correspondents report from the International Bar Association in Strasbourg

Ignoring safety 'must carry heavy price'

By Robert Rice, Legal Correspondent

THE COURTS should have the power to award millions of pounds in punitive damages against companies which show reckless disregard for tha safety of consumers, a leading British disaster lawyer said yesterday.

Mr Rodger Pannone told the International Bar Association conference in Strasbourg, that unless the courts made damages awards which were uninsurahle, bad companies would have no threat or incentives to make their products and services safer.

There were many good manufacturers and suppliers of services which put safety first. But there was also a minority of companies which showed a reckless disregard for the safety of their products or service, and some which intentionally put profit before safety.

Courts in the US took their role in encouraging safe products and good company practices far more seriously than European courts, he said.

Although the Director of Public Prosecutions had finally decided to prosecute P & O European Ferries and its senior employees for corporate manslaughter over the Zeebrugge disaster, if there was eventually a conviction the penalties would almost certainly be small, he said. The only solution was to give the courts the power to make punitive awards.

Mr Panneni also criticised the conduct of disaster litigation by lawyers. He called for earlier disclosure of their case by each side, and the early exchange of evidence.

Mr David McIntosh, a leading UK insurance company defence lawyer, said large punitive awards of damages

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were not the solntion. A better way of policing safety lay in increasing the risk of criminal prosecution of senior management and others who failed in discharging safety responsibilities.

Non-punitive, hut truly compensatory damages, as awarded by the courts in Britain, were preferable to the "exhorbitance of emotionally driven jury awards" in the US.

Although it could be argued that fear of large jury awards had made US business safety-conscious, a price had had to be paid by way of corporate and insurance company bankruptcy, the closing of municipal facilities and the practice of defensive medicine.

The EC prodnct liability directive provided the way towards uniformity in Europe and also a better example of striking a fair balance between the interests of society as a whole and those of industry.

As long as consumers' expectations about levels of compensation were fuelled hy the US example, as championed hy consumer activist Mr Ralph Nader, the gap between the present lottery in levels of damages and sensibly capped damages for all who suffered injury would widen, he said.

A trend towards sensibly capped damages was emerging in America, Prof Charles Wiggins, a US attorney and professor of law at San Diego University said.

Various states were now considering statutory changes designed to reduce the enormous dollar value of claims. They included no-fault liability schemes, capping recovery for non-economic losses, snch as pain and suffering, and abolishing recovery for punitive damages. In California alone, interest groups had spent more than $84m in efforts to persuade voters to approve such proposals, he said.

UK banks forced to play stronger role in the fight against crime

By Raymond Hughes

RECENT developments in UK law have brought banks nearer the front line in the fight against crime, the International Bar Association's conference was told yesterday.

Bankers could now be made criminally liable if they failed to disclose their suspicions that money or property lodged with them came from terrorist or drug trafficking activities, said Mr Richard Salter, a London barrister.

That meant that bank officials would have to become amateur detectives and try to discover the source of questionable funds, Mr Salter said.

Dr Michael Levi, from the University of Wales, told the conference that legislation such as the 1986 Drug Trafficking Offences Act and the 1989 Prevention of Terrorism (Temporary Provisons) Act had meant that the police, the Serious Fraud Office and Department of Trade and Industry inspectors could "wield tha iron fist" to get information from banks about custmers.

Section 24 of the 1986 Act, which created an offence of assisting drug trafficking, continued to cause great alarm in banking circles. Although it was a defence not to know or suspect that funds were the proceeds of drug trafficking, if the police had already revealed their suspicions such a defence might be hard to sustain, Dr Levi said.

In practice they had developed "a certain fluidity" in access to banking information in Britain. Where police or Customs and Excise officers were trusted and had been shown to be reliable, banks might give them information for intelligence purposes on condition that it would not be used as evidence without a court order.

"Where this system breaks down, it is usually because the police seek to short-circuit their own and the banking hierarchies, or are not aware what the proper proceduree are, not appreciating the risks that the bankers are running from laws whose implications are uncertain, or from their own superiors, if they co-operate with the police without the legal protection of the court order."

In relation to terrorist funds, said Dr Levi, the risk for bankers was that at the time they handled the funds they might not have considered the transactions suspicious, whereas in retrospect they should have thought more about them.

Banks might have to establish regular reviews of transactions to decide whether there was "resonable canse" to suspect a source of money to be terrorism.

Disclosure might be prompted by a bank's relnctance to see its employees jailed or to receive bad publicity for assisting money-laundering, Dr Levi said. However, "even this is not self-evident, for, in a competitive market for funds, ready disclosure of information may harm the interests of the bank also.

"Even legitimate clients who suspect that account details may he passed on to the police or a government department may choose to go elsewhere."

Dr Levi said that one of the problems confronting banks was that outsiders such as the police, press and courts, had very little idea of the complexity of decision-making structures within banks, nor of the conflicts within them that might affect official policy or deviations from it.

Even assuming a genuine desire to comply, it was hard to develop a realistic set of instructions that would guide the "civic conscience" of bank employees at all levels without paralysing banking activities.

Super secrecy arrives in Swiss banking

By Raymond Hughes

A CONTROVERSIAL practice of "super banking secrecy" has been developed in Switzerland, the International Bar Association conference heard yesterday.

Dr Peter Honegger, a Swiss lawyer, told the conference that the practice, which involved interposing a lawyer between customer and bank, was currently "a hot issue" in Swiss banking circles.

If an attorney opened a bank account on behalf of his client the client enjoyed attorney-client privilege as well as banking secrecy.

The Swiss Federal Supreme Court had recently ruled that if a lawyer was not acting in his capacity as a lawyer bnt rather as an asset manager, the privilege did not apply.

Since that ruling, however, there had been controversy about where the line between the activities of a lawyer and those of an asset manager was to be drawn, he said.

The main effect of super banking secrecy was that it might be virtually impenetrable by foreign authorities seeking to identify the bank's customer for the purpose of legal proceedings outside Switzerland.

Dr Honegger said there were "regrettahle misunderstandings" about the nature of numbered bank accounts which contributed a great deal to the mystification of Swiss banking practices.

"A fairy tale goes around the world that any individual of dubious character can enter a Swiss bank and open a numbered account without even having to disclose his name or identity."

Numbered accounts were said to be anonymous accounts and Swiss bankers were stigmatised as unscrupulous, profit-minded bankers who did not ask unnecessary questions and who cared even less about the background of their customers. None of this was true, Dr Honegger said. Anonymous accounts did not exist in Switzerland. The purpose of numbered accounts was to assure "utmost discretion" bnt the identity of the owner of the code number had to be known to the bank.

In the past two decades Switzerland had been taking the lead to establish new ways of disclosing secret information to foreign, particularly US, anthorities by jndicial assistance treaties and informal agreements, Dr Honegger said.

Detente breathes new life into World Court

Laura Raun on one triumph of law over war

YEARS of declining prestige for the World Court are giving way to an era of greater influence and respect as superpower-backed peace efforts and democratic experiments pave the way for a more institutional approach to settling international disputes.

The US and the Soviet Union are spearheading a driva to breathe new life into the court, which sits in The Hague, by binding themselves to its jurisdiction in areas where conflicts are likely to arise but which are not vital to national sovereignty.

The superpowers recently reached an accord to guarantee adherence to court decisions and are hoping to extend it to other members of the UN.

Talks started after Soviet President Mikhail Gorbachev appealed two years ago for a stronger World Court. Moscow had been hostile toward the court since it was founded in 1945, arguing that the bench was biased toward Western values and capitalism.

But last March Moscow recognised court jurisdiction under five human rights treaties, a move of symbolic if not practical significance. Since then two international gatherings have urged a greater role for the court, formally known as the International Court of Justice.

Recently an environment summit in The Hague issued a declaration saying the court should help control polluters who broke international law and the Non-Aligned Movement launched an appeal for a conference in The Hague in 1999 to propose a treaty on peaceful settlement of disputes.

"If we are entering an era of detente it is likely that the court will benefit," said a judge. "The court failed as an instrument for preventing war bnt when there is a greater sense of international community it is likelier to flower."

The court is the judicial arm of the United Nations, whose charter declares the aim of bringing about "by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace". It can also issue advisory rulings.

Mr Abraham Sofaer, legal adviser to the US State Department who represented Washington in talks with Moscow, said: "We are prepared to use the present circumstances as an occasion to develop for the first time a plan ... in which the expectations of states and the court's assigned authority are congruent."

World Court jurisdiction is recognised in three ways: ad hoc agreements between parties, 300 international treaties and declarations by 50 countries accepting compulsory jurisdiction.

"The court failed as an instrument for preventing war but when *there is a greater sense* of international community it is likely to flower"

The court, housed in the Peace Palace, has 15 judges, elected by the UN Security Council and Assembly. Today it has before it eight cases – the most since the 1950s.

The US withdrawal from compulsory jurisdiction in 1984 during a dispute with Nicaragua struck a blow to a court already suffering from a long, slow loss of influence.

The decline began in the 1960s. Between 1962 and 1967 no new cases were filed. In 1973 France was sued by Australia and New Zealand over nuclear testing in the South Pacific. Paris angrily refused to recognise the court's jurisdiction and has yet to return to the Peace Palace.

Of the UN Security Council's five permanent members, only Britain recognises compulsory jurisdiction.

The accord between the US and Soviet Union centres on strengthening universal adherence to court rulings by designating seven treaties, including some on drugs and terrorism, where World Court jurisdiction would be binding.

The initial list may be gradually broadened, although both agree that matters affecting national security must be kept out of the court's purview.

The use of smaller chambers of judges would be encouraged to promote more confidence in court rulings, which are sometimes seen as reflecting judges' desires to satisfy their UN constituency. Wider use of ad hoc agreements also is urged.

Mr Sofaer suggested that a strengthened World Conrt should "function as a court rather than a legislature, applying accepted rules and practices rather than fashioning new law".

In a speech late last year he went on to appeal for a court that would "render decisions that are predictable in that they fall within the range of the reasonable expectations of states ..."

A decisive signal came in August when the US agreed to defend itself in a suit filed by Iran, one of its bitterest enemies. Tehran is seeking financial redress from the US for the downing of an Iranian airliner last year.

International environmental dispntes may be one of the most promising areas for the court since pollution is increasingly a cross-border problem. In a case filed in May, the Pacific island of Nauru is seeking financial compensation from Australia for environmental damage suffered in phosphate mining.

The Hague Declaration hints that the court could issue advisory opinions to the UN Environment Programme which would rein in international polluters.

In the area of human rights, a UN subcommission recently sought an advisory opinion on UN immunity for a Romanian former UN employee in Romania. Mr Dumitru Mazilu claims he was unable to perform certain UN duties last year because he was under house arrest. Romania insists he was suffering from heart trouble. The hearing is to be held today.

A World Court ruling on an international hnman rigbts issue such as this may well strengthen the role of the court in an area of growing multilateral concern, further enhancing the its role.

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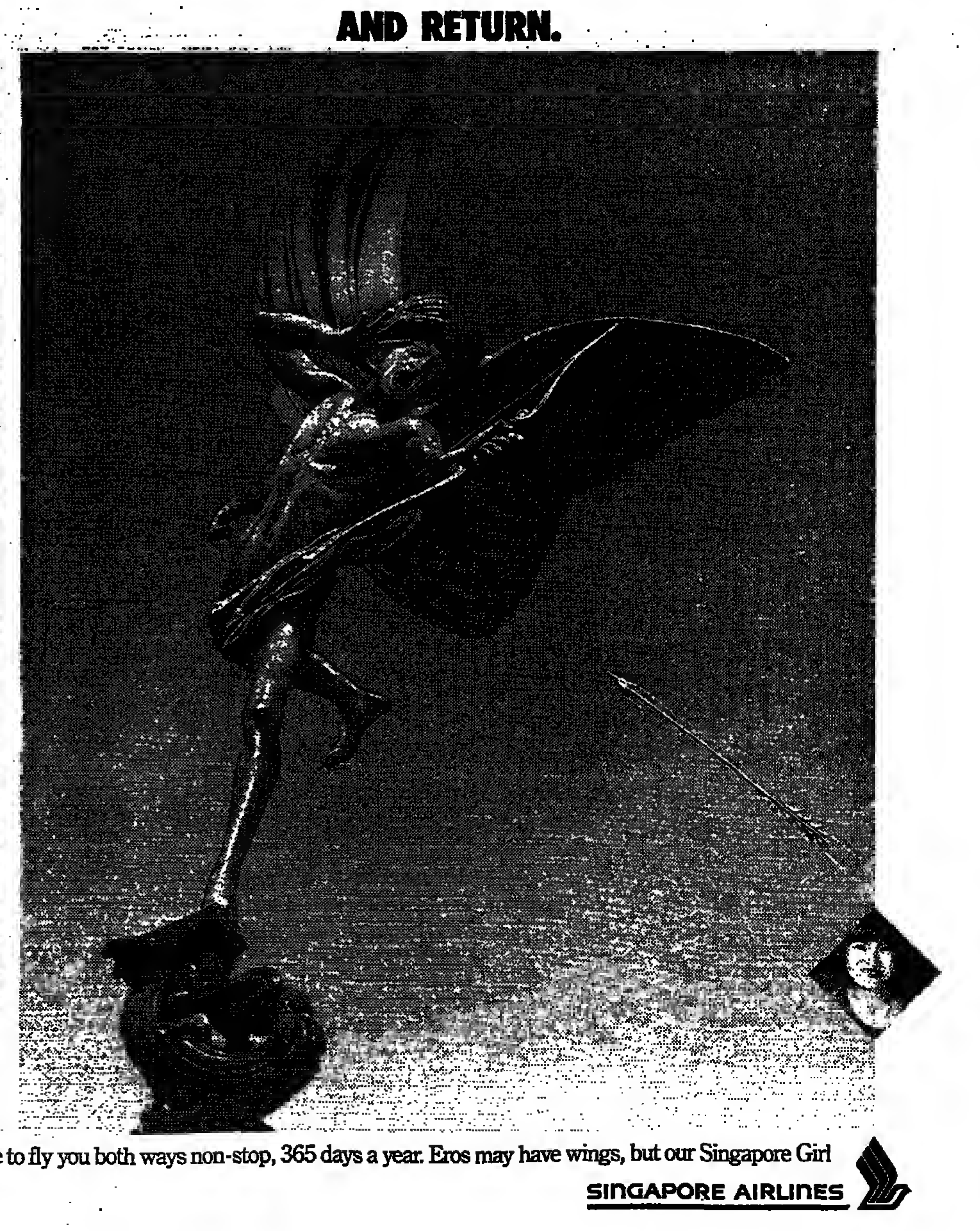

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SINGAPORE AIRLINES

NTT assails government break-up proposal

By Stefan Wagstyl in Tokyo

NIPPON Telegraph and Telephone, Japan's telecommunications utility, has hit back at a government report which proposed that the giant corporation be broken up.

Mr Haruo Yamaguchi, the NTT president, said a break up would mean an increase in urban call charges and a decline in the company's research and development capacity. He added that NTT's share price would slump if uncertainties emerged about its future as a single company.

Mr Yamaguchi was commenting on a report presented on Monday by the Telecommunications council, an advisory body, to Mr Sempachi Oishi, the Minister for Posts and Telecommunications.

The report was commissioned by the ministry which feels that NTT with 277,000 employees is too large to be managed as a single entity. Many officials believe their concerns were justified by the Recruit financial scandal, in which three senior NTT executives were allegedly involved.

The report recommends three ways of breaking up NTT. One was to split the company into two groups – one for local and one for long-distance calls. A second option is to create several regional companies and a third to have 11 regional companies dealing with local business and a separate company for long-distance calls. The reports favours the last option.

Stockbroking analysts said the possibility of a break-up is already discounted by the current NTT share price. However, a final decision is not expected for two or three years. The ministry will now empower a new committee to revise the report and produce a final version early next year.

Chief of Sony tells why it bought a part of America's soul

Our mission is to change their views of Japan, says chairman Akio Morita. Stefan Wagstyl reports

Akio Morita pictured at a press conference yesterday

MR AKIO Morita, the outspoken chairman of Sony, was expecting trouble in the US over his company's plans to buy Columbia Pictures Entertainment, maker of Hollywood films and television shows and one of America's best-loved institutions.

But even he is unable to predict what the outcome will be of the wave of public protest which the deal has provoked in the US. "Hollywood has a special meaning for American people," he said yesterday in a meeting with foreign journalists in Tokyo. "Movie stars have special meaning for American people. We may have to face strong criticism."

Mr Morita, an eloquent international spokesman for Japanese industry, is no stranger to controversy. But the stakes have rarely been higher than they are in the argument over Sony's planned \$3.4bn acquisition of Columbia Pictures. The takeover, itself the largest ever planned abroad by a Japanese company, comes amid an unprecedented surge in Japanese corporate investment in the US.

While the deal has been welcomed by executives in the American film industry, it has aroused strong passions among some politicians and newspapers. They have condemned Sony's bid as an invasion. A poll in Newsweek magazine showed 48 per cent of Americans saw the proposed deal as "a bad thing". Newsweek said the acquisition of one of the symbols of American culture was the equivalent of "buying a part of America's soul".

A US Congresswomen urged the Administration of President George Bush to investigate the deal under anti-trust law. Mrs Helen Delich Bentley said the acquisition would trigger an all-out attempt by foreign multinationals to buy into US business.

To make matters worse, 68-year-old Mr Morita has recently added fuel to the flames by putting his name to a provocative book. The Japan That Can Say 'No', an edited version of the thoughts of Mr Morita and of Mr Shintaro Ishihara, a right-wing politician, urges Japanese to be more forthright in their dealings with the US.

A section by Mr Ishihara, headed "Racial Prejudice is at the root of Japan bashing", contains the lines: "During the Second World War Americans bombed civilian targets in Germany but only in Japan did they use the atomic bomb. While they refuse to admit it, the only reason they could use the atomic bomb on Japan was because of their racial attitude towards Japan . . . . At times it appears to me that the Americans behave more like mad dogs than watch dogs."

Mr Morita's contributions are less inflammatory but equally pointed, particularly in relation to business. He says: "We Japanese plan and develop our business strategies 10 years ahead, while Americans seem to be concerned only with profits 10 minutes from now."

While the book has been published only in Japanese, an unauthorised translation of selected highlights has been circulating in the US for several weeks.

Yesterday, Mr Morita said he was surprised about the book's impact and had banned any official English edition. He now regretted being associated with it, not because of his own remarks but because of Mr Ishihara's. He said: "I didn't have any intention of bashing Americans. I also bash Japanese."

Mr Morita said the antagonism between the two countries was caused partly by the economic imbalance between them and partly by the fact that "many Americans still regard Japanese as strangers". Sony's mission was to change American views of Japan by operating in the US in a friendly way. Over time, Sony could dispel the prejudice Americans had against Japanese.

Mr Morita said Sony, the most international of Japan's large electronics companies, was well-equipped to do this. Last year only 66 per cent of the group's Y2,145bn (\$15.5bn) sales were outside Japan. It has long followed a policy of "local globalisation" that is of putting control of its foreign operations in the hands of local managers. Earlier this year, Sony appointed an American and a European director – the first Japanese company to put a foreigner on its board.

At the beginning of last year the group completed the purchase of CBS Records, the world's largest recording company, for \$2bn. Mr Morita said Sony had left CBS Records, now called CBS Sony, in the hands of its American managers. It had even issued instructions to Sony staff around the world not to interfere in CBS's activities.

It would do the same for Columbia Pictures. "We would certainly like to avoid giving any impression that a Japanese company has invaded the American business."

Mr Morita urged Americans to look at the benefits Sony had brought to CBS Sony, where sales were growing above expectations. Sony had transferred to CBS the latest recording technology.

US film industry executives say Sony, with its technology, management skills and sound finances, is a more attractive buyer than some would-be purchasers who have approached American film studios. They include Mr Christopher Skase, an Australian entrepreneur who heads a fast-growing media group called Qintex, which has bid \$1.3bn for MGM-UA Communications.

Mr Morita spelt out the powerful commercial logic behind the deal. Sony is buying Columbia Pictures for its library of 2,700 films, among them Rambo and Lawrence of Arabia, and 23,000 television shows, just as it bought CBS Records for its music publishing rights.

Sony wants to marry its own skills in making and selling consumer electronics – hardware, in the industry's vocabulary – with the recording of sounds and pictures made by artists – software.

The group believes that sales will be increasingly inter-related as technological innovation brings new ways of presenting recorded material. Mr Morita said as industry developed new electronics products – video tape, video disks, high-definition television, satellite and cable broadcasting – so software would have to be produced to match them. "We believe the hardware and software are two wheels of the same cart."

Mr Morita said Sony had been interested in software ever since it made its first tape-recorder more than 30 years ago. Its first business in software began 22 years ago, a joint venture with CBS Records to sell recorded music in Japan.

The company learnt its lesson about the importance of controlling software in the early 1980s when, together with Philips, the Dutch group, it devised compact disks, only to find that no big record company would put its music on the new medium. So Sony had to turn to its joint venture with CBS. "We were already a major entity in software when we decided to take the next step and buy CBS Records," said Mr Morita.

Mr Morita admits Sony is taking a risk buying Columbia Records. The group's ratio of equity to total assets will fall from 44 per cent to 34 per cent before it had time to raise new long-term capital. But he said that even in the worst of the scenarios drawn up for Columbia's future, Sony "can still survive".

Rabuka to leave Cabinet job

By Chris Sherwell in Sydney

MAJ GEN Sitiveni Rabuka, who led two military coups in the Pacific state of Fiji in 1987, has undertaken to return to barracks in December after two years serving in the country's interim government.

The undertaking was revealed yesterday by Ratu Sir Kamisese Mara, the 69-year-old Prime Minister in the interim government, who appears to have obliged Gen Rabuka to choose between civilian politics and continued command of the military.

The two-year term of the interim government is due to expire in December, and Ratu Mara had been asked by Ratu Sir Penaia Ganilau, the President, to postpone his planned retirement and continue leading the country through to elections under a new constitution.

Ratu Mara agreed provided 41-year-old Gen Rabuka made a decision about his future. Last week Ratu Mara told a foreign journalist he felt his authority as leader had been undermined by Gen Rabuka's dual role as military commander and Cabinet minister in charge of security.

Reports from Suva, the Fiji capital, say Ratu Mara gave Gen Rabuka three choices: to return to barracks as military commander, to be in Cabinet with limited responsibilities relating only to the armed forces while retaining military command, and relinquishing military command to become one of two deputy Prime Ministers.

After talking with his officers and others, Gen Rabuka appears to have taken the first option, sticking with his known power base. At the same time he is said to have pledged his support and loyalty to the President, Prime Minister and interim government.

His decision is expected to quell growing anxiety about Fiji's future and the possibility of further military intervention beyond December. In effect, it entails an extension to the life of the interim government, during which a proposed constitution will be finalised and elections organised. These are expected in 1991.

Ratu Mara was Fiji's first Prime Minister following independence from Britain in 1970. But in April 1987 his government was defeated by a coalition of Fijian and Indian groups led by Dr Timoci Bavadra. Gen Rabuka, then a colonel, toppled Dr Bavadra in May, removed its replacement government four months later, and declared Fiji a republic.

In December 1987 Gen Rabuka handed power back to Ratu Ganilau, now President but previously Governor General. He made Ratu Mara interim Prime Minister, and Gen Rabuka became Home Affairs Minister. Progress towards agreeing a constitution entrenching ethnic Fijian interests has since been slow and difficult.

Rabuka: chosen to go back to barracks

SA cities end petty apartheid

TWO South African cities yesterday announced moves to join Johannesburg in scrapping so-called petty apartheid, the racial segregation of municipal facilities, Reuter reports from Johannesburg.

At the Indian Ocean city of East London, the council voted on Monday evening to open swimming pools, buses, parks and other urban facilities once reserved for whites under Pretoria's Separate Amenities Act. Durban City Council said its amenities committee had agreed to make all its whites-only beaches multiracial.

Johannesburg last month announced that its facilities would be desegregated with immediate effect.

"Our beach management policies should ensure that our beaches and related facilities can be enjoyed by everyone by keeping them clean and safe," an East London city spokesman said yesterday.

Durban, one of South Africa's most important harbours and favourite holiday centres, was the scene last month of a big anti-apartheid protest when thousands of demonstrators of all races invaded a whites-only beach, one of many multiracial beach protests calling for the end of the Separate Amenities Act.

The Government, re-elected last month on a platform of reforming apartheid, announced that it would shortly make a policy statement about beach apartheid. It has welcomed moves towards desegregation of urban facilities, but shown no sign of repealing apartheid laws such as separate schooling, health services and residential areas.

Intifada leaders urge escalation

By Hugh Carnegy in Jerusalem

THE Palestinian underground leadership in the Israeli-occupied territories has called for a sharp escalation of the intifada, or uprising, over the next week just as the divided Israeli Government prepared to consider an Egyptian proposal for Israeli-Palestinian peace talks.

A press conference called by senior Palestinians in East Jerusalem shortly after the leaflet was made public yesterday was stopped by Israeli security forces who blocked off streets around the hotel where it was to have taken place.

The latest leaflet circulated in the West Bank and Gaza Strip by the Palestine Liberation Organisation-linked Unified National Leadership called for a series of five daily general strikes starting tomorrow – the day the Israeli inner cabinet meets to discuss the Egyptian peace move – with a break only on Saturday.

The leaflet said that on strike days, which have recently been staged far less frequently, residents should go out onto the streets after five pm "and start a rebellion". It also signalled a re-escalation of a flagging boycott by Gazans of work in Israel, saying the campaign against magnetic-strip identity cards recently introduced in Gaza by the Israelis must be won.

A key reason cited in the leaflet for the latest orders was the draconian action taken by the Israeli authorities over the past 10 days against the village of Beit Sahour, near Bethlehem.

A campaign of civil disobedience and a tax boycott by the inhabitants prompted prolonged curfews and the confiscation of property worth half a million dollars from households which is now to be auctioned. Palestinian human rights groups complained of numerous beatings and other physical abuses as the property was forcibly removed.

In a number of serious confrontations between Palestinians and Israeli forces, at least seven people have died in the past week, bringing the overall number of Palestinians killed in the 21-month intifada to more than 660. However, Palestinian moderates have argued against escalating the intifada as attempts are made at a political settlement.

● An Israeli court yesterday sentenced Mr Abie Nathan, a long-time peace campaigner, to six months in jail for meeting Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

Mr Nathan, 62, who said he did not plan to appeal, is the first Israeli to be imprisoned for breaking a law enacted in 1986 which bars unauthorised contacts between Israeli citizens and and terrorist groups, including the PLO.

The case highlighted the contradictory attitudes of the Israeli authorities. For example, Mr Elias Freij, the Palestinian Mayor of Bethlehem, admitted meeting Mr Arafat in Tunis last month to discuss peace moves for the territories, flaunting military laws that can be used to stop Palestinians from within the territories meeting PLO leaders.

New Delhi determined to crush vehicle plant strike

By David Housego in Pune

THE INDIAN Government and the management of Telco, the largest vehicle manufacturing subsidiary of the Tata group, yesterday appeared determined to break a strike which has crippled production at its main manufacturing plant in Pune.

Almost 3,000 of Telco's 8,500 assembly line workers remained under detention yesterday as well as Mr Rajan Nair, the leader of the largest union at the plant.

The workers have been arrested on charges of assembling unlawfully and attempting to commit suicide after a ten day hunger strike which police forcibly ended on Friday.

The strike is over attempts by the company to push through a new pay deal in the face of opposition from Mr Nair, 32, a tough charismatic labour leader.

The company refuses to recognise his presidency of the union after he was dismissed in the wake of murder allegations.

The conflict is the worst in the 25-year history of Telco which had had a reputation for good labour relations. The company, which produces mainly trucks and buses, has lost 7,000 vehicles since the beginning of May, equivalent to two months' production.

Telco is the largest industrial plant on the west coast of India. The conflict just as it has brought out a new passenger car and has ambitious export plans for its trucks.

Both the Government and Telco agreed on a hard line after talks involving Mr Rajiv Gandhi, the Prime Minister. With an election on the horizon, the Government wants to keep the plant open.

Telco claimed yesterday that production was "limping back" with 2,000 accepting a pay deal and reporting for work.

The deal was negotiated with a new house union set up in February.

Moscow and Islamabad plan UN resolution

Bhutto in Afghan peace move

By Reazuddin Ahmed in Dhaka

PAKISTAN and the Soviet Union are discussing a draft resolution to put to the United Nations on a political settlement in Afghanistan, Ms Benazir Bhutto, Pakistan's Prime Minister, disclosed yesterday.

Ms Bhutto's foreign affairs and security adviser Iqbal Akhand said Pakistan and Soviet Union were on the point of resolving the differences over a settlement for Afghanistan. He did not disclose the content of the resolution.

Another of Ms Bhutto's aides said if the resolution, jointly moved by Soviet Union and Pakistan, was adopted by the UN, there might be a broad-based coalition government in Afghanistan replacing the present pro-Soviet government.

Ms Bhutto said that the sooner a representative government was established with elements from all factions of the mujahideen, the better for resolving the Afghan crisis.

The Soviet Union withdrew the last of its troops from Afghanistan in February after a 10-year involvement, but has continued to arm the government forces.

The ability of the Kabul government to retain power since the Soviet withdrawal and the inability of the mujahideen to make any political or military headway, has raised questions about continued US and Pakistan support for the rebels.

The US is the biggest arms supplier of the seven-group guerrilla alliance, based in Pakistan's frontier city Peshawar, where the rebels have set up a self-proclaimed interim government. Another guerrilla alliance is based in Iran.

Ms Bhutto's comments came at the end of a three-day state visit to Bangladesh when she called for South Asian countries, with an oblique reference to India, to desist from interfering in the internal affairs of others.

She indicated that her government would continue efforts to normalise relations with India by removing the irritants between the two traditional foes in the subcontinent.

India closely monitored Ms Bhutto's visit to Bangladesh as closer ties between these two countries, which were torn apart in 1971, would affect the Indian hegemony in the region.

There were indications that both leaders discussed the Sino-Indian security plan in the sub-continent against the backdrop of recent Indian intervention in Sri Lanka and the Maldives and its trade conflict with Nepal.

Ms Bhutto said the process of normalising relations with India was under way. She was looking for an opportunity to visit India and Mr Rajiv Gandhi, the Indian Prime Minister, had already visited Pakistan.

India shrugs off Chinese PM's visit to neighbours

By K.K. Sharma in New Delhi

INDIA is not allowing the failure of the Chinese Prime Minister, Li Peng to visit India during a tour of the subcontinent next month to discourage its determined efforts to improve relations with China.

India's External Affairs Ministry said yesterday that India did not think that by avoiding India while visiting Pakistan, Bangladesh and Nepal, Li meant to indicate any setback to Sino-Indian relations.

Mr Rajiv Gandhi, India's Prime Minister, visited Peking a year ago breaking the three-decade impasse in Sino-Indian relations that followed a brief but bloody war over their Himalayan border in 1962.

It was then agreed that a working group of officials would be formed to study the border dispute and in the meantime steps would be taken to increase trade, business and cultural relations. Mr Gandhi also invited the Chinese Prime Minister to visit India and the invitation was accepted.

However, Li Peng is unlikely to visit India before elections to be held by next January or before progress has been made on solving the border issue.

The working group on the border has held one meeting, but progress is expected to be slow. The first meeting of the Sino-Indian joint commission on trade was held in New Delhi last month and made considerable progress in arranging for an expansion of commercial contacts.

New Delhi has gone out of its way to cultivate China at a time when most of the world is boycotting it after the repression of the students' movement. Officials believe this has been noted in Peking and that Sino-Indian relations are better than they have ever been since the 1962 border war.

Manila shifts prosecution to Marcos family

By Greg Hutchinson in Manila

PHILIPPINE corrnption proceedings are to be dropped against Ferdinand Marcos, who died in e Hawaii hospital last Thursday, but his family and heirs will be pursued for the billions of dollars he is alleged to have stolen from his people.

Prosecutors told a court hearing yesterday the Government would submit a formal motion tomorrow dropping Mr Marcos as a defendant and substituting his estate's administrator and heirs.

The court is expected to go ahead with the trial after the substitution is made. A new hearing is scheduled in two weeks.

The trial concerns Mr Marcos's alleged acquisition of four choice buildings in New York.

It is only one of 35 civil suits seeking \$100bn in damages for the "plunder of the nation's wealth" by Marcos clan members and business associates during the 20 years until February 1986 that Mr Marcos was president.

The miracle worker behind Lebanon's fragile peace

Lara Marlowe and Francis Ghiles profile the Arab League's troubleshooter

A TALL, middle-aged man with stooped shoulders sat dining at one of the outdoor tables of West Beirut's Summerland Hotel one evening last week.

A young man appeared. "Mr Ibrahimi, will I be able to start university in October?"

The Arab League tripartite committee's special envoy to Lebanon paused a long moment and said "insh'allah" (God willing).

When the unscheduled visitor had gone, Mr Lakhdar Ibrahimi sighed and shook his head in sadness for the Lebanese who are now pinning so much hope on the 10-day-old ceasefire which he played a big part in engineering.

Mr Ibrahimi has been working tirelessly for much of this year to persuade the Lebanese factions to stop the murderous shelling in Beirut and to start talking. Now that the ceasefire is in place and Lebanese MPs are meeting in the Saudi resort of Taif, the Algerian diplomat is quietly busy behind the scenes, trying to ensure that things go smoothly.

"Ibrahimi has performed the miracle of planting a rose bush in Lebanon's garbage dump," wrote Mr Talal Salman, the editor of the pro-Syrian As-Safir newspaper in West Beirut, after the ceasefire took hold. At the other end of Lebanon's political spectrum, Mr Georges Saade, the president of the pro-Iraqi Maronite Christian Phalange Party in East Beirut, said that if Mr Ibrahimi succeeded in bringing peace to Lebanon he should be given the Nobel Prize.

That one man should earn the respect and admiration of the majority of people in a country as fragmented as Lebanon is something of a miracle. But Mr Ibrahimi, who is 56, belongs to that generation of Algerian diplomats who learnt their trade the hard way and who have given their country's diplomacy a weight far in excess of its modest economic resources. His career is steeped in politics, and spans ambassadorial stints in Cairo and London as well as his current role of trouble-shooter for the Arab League.

In his mid-20s he became the representative in Indonesia of the Algerian National Liberation Front, when it was fighting France for Algerian independence. Then at 32, in 1963, he was appointed independent Algeria's first ambassador in Egypt.

It was a posting that was to give him unrivalled knowledge of the leading political figures in the Middle East. The Egyptian capital was in those days a magnet for Arab nationalists, and Mr Ibrahimi's friendship with President Gamal Abdul Nasser provided a royal entrée.

In London, too – a town that he and many of his peers regard as the second Arab capital – Mr Ibrahimi's residence in Regent's Park was something of a social hub, although in middle age he is not the radical he was – indeed, his critics say he is now too close to the traditional Arab monarchies of the Gulf.

As assistant secretary-general of the Arab League in Tunis, Mr Ibrahimi has devoted much time to resolving squabbles between Palestinian groups. But since March, when conflict erupted between Gen Michel Aoun, the Maronite Christian leader, and Syrian forces, his overwhelming preoccupation has been Lebanon.

In Beirut, Mr Ibrahimi has met repeatedly almost every political, religious and militia leader except the pro-Iranian Hizbollah. His gaunt, feline figure and striking grin have been seen on Lebanese television night after night emerging from an armoured Mercedes to greet Lebanese leaders with what appears to be genuine enthusiasm. Aides say his affection for the Lebanese is mingled with exasperation at their propensity for saying one thing in private and the opposite on television or in Damascus.

Mr Ibrahimi has undertaken his peace mission at great personal risk. None of the tripartite committee members (Saudi Arabia, Morocco and Algeria) sent their own heads of state or foreign ministers to Beirut because of the danger involved. Mr Ibrahimi says he accepted the mission "because the three heads of state asked me". He will not say that he enjoys it, only that, "I accept the challenge. I accept the responsibility. I haven't come to Lebanon starry-eyed, thinking I can solve the whole thing".

When he first came to Beirut to mediate last spring, the Algerian diplomat travelled on his own around the city. But as he became better known in Lebanon, more security was necessary. He now travels in an armoured car with curtains on the windows (he detests not being able to see out). He has lost count of the number of times he has come under shellfire.

On one occasion last May, the shelling provided Mr Ibrahimi with a rare opportunity to improve the situation. He was with Gen Aoun in his bunker at Baabda and could not leave the ruined presidential palace because so many shells were exploding outside. The envoy asked Gen Aoun if he could stay and talk to him longer. The general said he had nothing else to do. Two hours later, after some deft persuasion in the palace and on the telephone, an earlier ceasefire was born that lasted for weeks and saved many lives. "That's what diplomats should be for," Mr Ibrahimi says. "To work out things that may seem ridiculous and impossible, but which force the politicians to co-operate."

Now, thanks to Mr Ibrahimi's efforts, Beirut is enjoying a measure of normality. He says he will continue his efforts "as long as is humanly possible". Now, thanks to Mr Ibrahimi's efforts, Beirut is enjoying a measure of normality. He says he will continue his efforts "as long as is humanly possible". If and when Lebanon's civil war ends, he wants to resume studies that were cut short by Algeria's war of independence. "I want to go to Oxford," Mr Ibrahimi says whimsically. "Whichever college will accept me."

MPs vote for even division of seats

LEBANESE members of parliament agreed in principle yesterday to divide seats in parliament equally between Moslems and Christians, deputies said, Reuter reports from Taif, Saudi Arabia.

The 62 members, half Moslem and half Christian, are meeting in the Saudi mountain town of Taif to reform the Christian-dominated system which Moslems say is a root cause of 14 years of intermittent civil war in Lebanon.

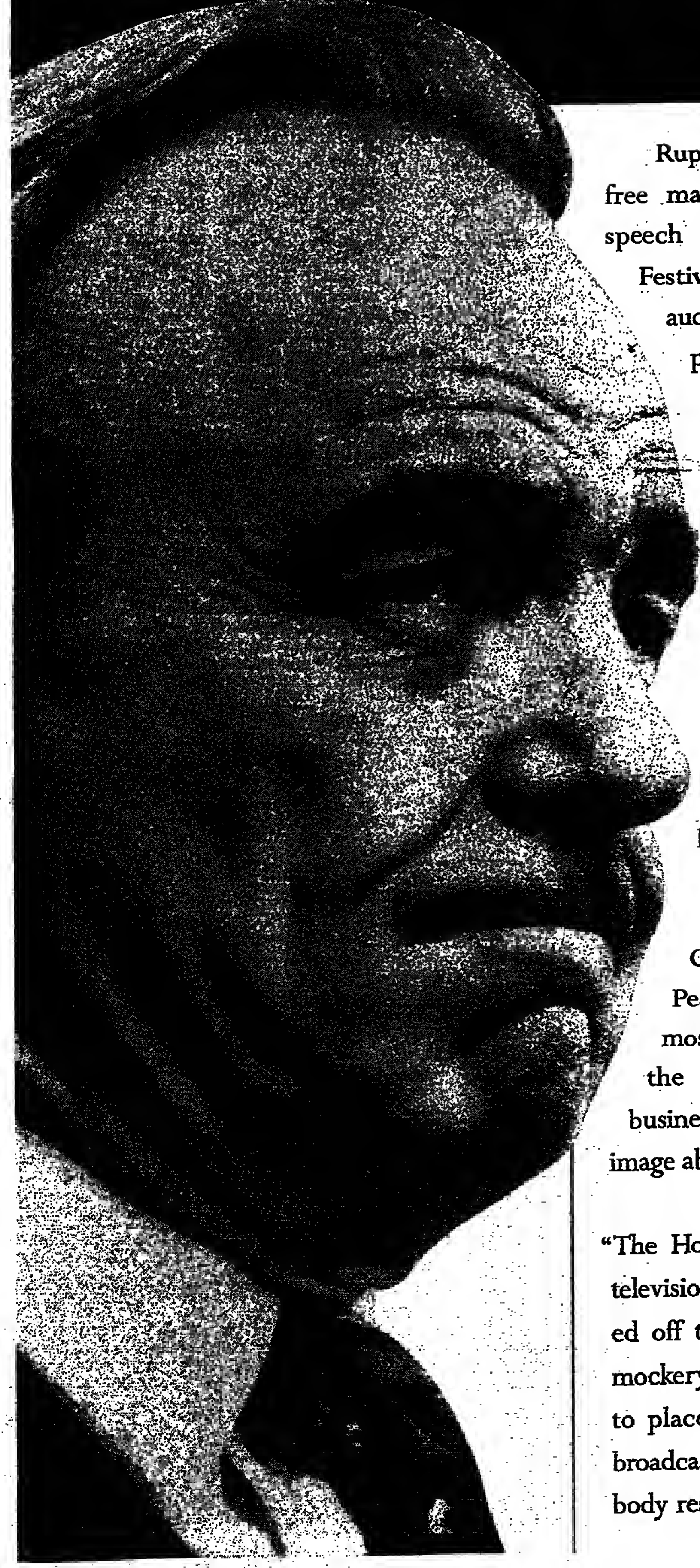
The deputies said that, on their fourth day of talks, they had agreed to the equality principle proposed in an Arab League "Charter for National Reconciliation".

The deputies are working their way through the charter but have not reached the potentially explosive section on a Syrian troops withdrawal, the principle demand of Gen Michel Aoun, the Maronite Christian leader.

At this stage in the Taif talks, MPs are not voting on the constitutional reforms but none of them objected to the principle of equality.

"I don't agree with the White Paper at all on the idea of cash bids for television franchises."

Rupert Murdoch 25.8.89.



Rupert Murdoch, most ardent of free marketeers, said in his recent speech at the Edinburgh Television Festival that he was against the auction of the ITV franchises as proposed by the Government's White Paper on Broadcasting.

He is just one more in the long line of those who have stood up and declared their opposition to this proposal.

To mention but a few:

If he's not for it, who is?

"Criticism of the proposals has been almost universal. It has come not only from the industry but also from the Consumers' Association, the Peacock Committee and even most of Fleet Street. If enacted, the proposals will be bad for business, the consumer and Britain's image abroad."

Dr Patrick Barwise, London Business School.

"The Home Secretary's statement that television franchises are to be auctioned off to the highest bidder makes a mockery of the Government's claim to place the viewer at the centre of broadcasting policy. Not one consumer body responded favourably to this idea which will benefit only the Treasury."

Mrs Jocelyn Hay, Voice of the Listener.

"Even in the US, broadcasting licences have been awarded, not auctioned off, by the Federal authorities. France sold off its first national television channel TFI, to the private sector in 1987, but did so after fixing a price and then choosing between those who were prepared to pay it."

Financial Times.

"Out of uncertainty and ignorance, therefore, there is a good chance that some bids will be pitched uneconomically high. And that is not to dismiss the 'power and prestige' bids from those who simply want to hold a franchise, at whatever cost. There will be some of those."

Kleinwort Benson, Merchant Bankers.

"We urge the Government to look very carefully at the implications of the proposed [tendering] system. We would regret it if the high cost of acquiring a TV franchise on Channel 3 discouraged the licensees from providing a high quality service which attracted viewers of all categories and ages."

Incorporated Society of British Advertisers.

ITV

Brazilian budget envisages public sector deficit cut

By Ivo Dawnay in Rio de Janeiro

THE Brazilian Government has delivered a newly formulated 1990 budget to Congress, envisaging a cut in its public sector deficit to the equivalent of 2 per cent of a gross domestic product calculated at $432bn.

The envisaged deficit is the same as was targetted under an agreement with the International Monetary Fund last year. This came about after Brazil'e previous year'e excess expenditure had reached the level of 4 per cent of GDP.

Brazil'e failure to achieve the cnts subsequently led to the IMF's refusal to approve its economic performance.

The IMF also implemented the suspension of "new money" payments by foreign creditors leeding to a consequent halt to the country's servicing of its $68bn commercial bank debt.

Current year-end projections estimate the 1989 deficit to exceed 6 per cent of GDP.

The budgetary proposal, formulated under new rules which bring together the fiscal budget with social security accounts and investment planning for state companies, is contained in three weighty books each composed of 3,000 pages.

The budget package was delivered to the offices of Mr Nelson Carneiro, the leader of the Senate, along with 19 boxes listing the names and salary breakdowns of over 880,000 civil servants.

Congress has until the end of December to either approve or amend the proposal, which will again be open to revision by a new president in July of next year.

The document envisages total revenues of New Cruzados 339bn or just over $300bn at the prevailing official dollar exchange rate.

It projects export earnings rising by 1.5 per cent next year to $33bn, while imports increase by 3 per cent to $17bn. GDP growth is calculated at 2 per cent, a standstill in real terms when the rapid increase in the labour force and other demographic factors are taken into account.

Of the resources available to the government, NCz219bn or more than two-thirds of the total are allocated to servicing and paying off the country's accelerating internal debt.

Beside this, NCz24bn is allocated to salaries and social security payments for civil servants, while transfers to states and municipalities total NCz14bn, leaving just NCz80bn allocated for on-going spending programmes and new investments.

Factory orders register 2.9% increase in August

By Peter Riddell in Washington

US manufacturing industry continues to enjoy an increase in orders, though et a more moderate pace than earlier in the year.

New factory orders in August rose 2.9 per cent in cash terms, reversing a revised 2 per cent decline in July.

While the increase in August was larger than the market had been expecting, order levels have been fluctuating since the beginning of the year and have been broadly flat during the summer.

Shipments of manufactured goods jumped by 5.6 per cent in August, following three monthly declines In e row. Consequently, manufacturers' unfilled orders declined in August by 0.3 per cent, the first drop since February 1987.

Excluding the aerospace industry, the order backlog has fallen for five of the last six months.

These figures underline the mixed signals on the state of the US economy now facing policymakers.

Mexico and US agree to strengthen trade links

By Nancy Dunne in Washington

THE US and Mexico yesterday announced agreement on an "action plan" to strengthen their trade and investment ties, but rejected the idea of sectoral free trade agreements as potentially damaging to the Uruguay round of multilateral trade talks.

The pact, signed during the first visit to Washington by President Carlos Salinas de Gortari of Mexico, establishes a negotiating process to increase bilateral trade and investment in products such as cars, petrochemicals, telecommunications, computers and electronics.

The bilateral negotiations will also focus on non-sectoral issues such as services, intellectual property rights, technology, investment, distribution problems and barriers to market access.

In agreeing on the talks, the two countries specifically rejected the goal of free trade agreements, much discussed during the Reagan Administration. The two sides will not grant each other preferential treatment, which would require a waiver from the General Agreement on Tariffs and Trade.

Mrs Carla Hills, the US Trade Representative said the understanding will "complement the work under way in the Uruguay Round of trade talks to improve the global trading system."

A US trade official also announced that agreement had been reached on the renewal of Mexico's "voluntary" restraint agreement (VRA) on steel exports to the US. He said Mexico had signed a bilateral consensus agreement to eliminate trade distorting practices in steel and would be awarded a larger share of the US import market.

Mrs Hills was yesterday still negotiating various steel VRAs, although the programme was formally implemented on Sunday.

President Salinas began his five-day US tour with an appeal for measures to increase trade, improve the environment, and resolve border issues

Sandinistas lead in election preparations

Discipline contrasts with chaos and in-fighting among opposition, writes Tim Coone

IN FEBRUARY Nicaragua's revolutionary Sandinistas are preparing to face their first serious electoral challenge after 10 years in power.

In the 1984 elections, the right-wing civilian opposition abstained while the US-backed Contras did their best to disrupt the polls. The Sandinistas, or FSLN, won with a comfortable 67 per cent majority.

With the Contras now at a dead-end, no such abstentions are expected to mar these polls. Backed by US government funding, the Sandinistas' main opponents are now grouped into the National Opposition Union (Uno), a 12-party alliance which hopes to achieve at the polls what its Contra allies have been unable to bring about on the battlefield, a defeat of the hybrid Marxist government led by President Daniel Ortega.

Possibly for the first time this century, elections in Nicaragua are finally being taken in earnest.

The two main contestants are President Ortega and Mrs Violeta Chamorro, widow of the assassinated newspaper publisher Pedro Joaquin Chamorro.

President Ortega has already decided Mrs Chamorro is no match for him. "My challenger is George Bush," he declared soon after being nominated as the Sandinista candidate at a music-and-balloons party convention recently.

He said the US was shifting its strategy from the military to the civilian front to overthrow his government, and pointed to the $9m recently requested by the White House from Congress for financial aid to Uno for its election campaign.

Ortega: looking to victory

The entire Nicaraguan government budget for the elections is $17m, cut by an inflation-conscious National Assembly from $25m.

Already, crisp white T-shirts and baseball-style hats emblazoned with opposition party emblems and slogans are helping to stretch family clothing budgets, the latter severely hit by the dire economic circumstances of the country.

The Sandinistas though are not allowing themselves to be outmanoeuvred. Party officials handed ont souvenir "Vote Daniel" T-shirts at the President's press conference recently, despite the electoral law forbidding the use of such propaganda until later this year.

Pro-FSLN banners have begun appearing "spontaneously" attached to lamp-posts and trees around the capital. Video clips flashed during breaks in the popular Brazilian soap-operas screened on the state-controlled television reflect a bias in favour of the ruling party, further bringing into question the government's compliance with the electoral laws.

These elections might well rate as the most closely monitored ones ever in Latin America. The UN, at the request of the government, is taking the unprecedented step of establishing an observer team in the country to oversee the entire electoral process from start to finish.

The UN has never before played such a role in a sovereign state, though it has supervised elections in former colonies.

The Organisation of American States has its own observer team in place, and the European parliament has just sent an advance group of experts to prepare its own monitoring mission.

Former US president Jimmy Carter, as director of the Council of Freely-Elected Heads of Government, has meanwhile just completed a fact-finding mission in the country, after which he said that despite complaints that had been raised with him by leaders of the opposition "these are much less significant than the desire of all the political parties to participate in the electoral process between now and next February 25".

Nicaragua's elections might well rate as the most closely monitored in Latin America. The UN, at the request of the government, is taking the unprecedented step of establishing an observer team in the country to oversee the electoral process from start to finish. The UN has not played such a role in a sovereign state, though it has overseen elections in several former colonies.

He said that he had raised the complaints with President Ortega and that the latter's responses had been "constructive". The undertakings of the government, he said, "give us optimism that the elections will be free and fair".

Mr Carter is lobbying foreign governments to support the electoral process but insists that financial aid "should be overt and not covert and in accordance with Nicaraguan laws".

Under Nicaragua's electoral law 50 per cent of all foreign donations over $20,000 that are made to political parties must go to the Supreme Electoral Council. The funds will be used to help finance the elections.

Together with the observer groups, Mr Carter intends to organise an independent vote count on the day of the elections.

By a selection of several hundred of the 4,394 polling stations throughout the country, observing the poll and the vote count at these stations and then independently summing the results, he expected a figure to within 2 per cent of the actual result.

It is too soon to know whether victory or defeat might hinge on such a margin.

The disciplined, stage-managed air of the FSLN party convention recently, contrasted sharply with the image of chaos and bitter in-fighting taking place within Uno ranks last week.

Last Friday, the Popular Social Christian Party (PPSC) deserted the Uno alliance arguing that its electoral weight had not been recognised by Uno in the choice of candidates for the National Assembly.

Then there was the expulsion of Mr Joaquin Mejia from the ranks of the Independent Liberal Party (PLI). He is a vociferous anti-Sandinista columnist for Mrs Chamorro's newspaper La Prensa and was expelled for having challenged his party boss over the choice of candidates for the National Assembly.

His boss is none other than Dr Virgilio Godoy, Mrs Chamorro's vice-presidential running mate for Uno. Between them, the PPSC and the PLI hold 15 seats in the National Assembly and are the only electorally proven parties within Uno.

Shevardnadze set for Managua stopover

By Tim Coone in Managua

MR Eduard Shevardnadze, the Soviet Foreign Minister, was yesterday due to make e lightning one-day visit to Nicaragua which is expected to pave the way for a major overhaul of bilateral relations between the two countries.

Mr Shevardnadze's visit is the highest level visit of a Soviet official to Nicaragua since the 1979 revolution.

Moscow is Nicaragua's principal supplier of economic and military aid. Although detailed talks of bilateral economic relations are not expected during this visit, Mr Shevardnadze is nontheless expected to stress the difficulties the Soviet Union is facing with its reform process. A major review of bilateral relations will follow next year, he added.

Mr Shevardnadze is also expected to discuss his recent talks with Mr James Baker, the US Secretary of State, with the Nicaraguan president Mr Daniel Ortega and to exchange views on the progress of "perestroika" in the Soviet Union and the electoral process in Nicaragua.

The Soviet Union is Nicaragua's principal supplier of oil, fertilisers, steel, machinery and transport equipment, all of which is supplied on soft credits and amounts to some $400m-$500m a year. Nicaraguan exports last year fell to $235m, their lowest level for a decade, while imports were $807m. Soviet aid is thus vital to the government's survival.

Total Soviet trade credits to Nicaragua since 1981, when other sources of aid and credits began to dry up, amount to an estimated $3bn.

Military aid, which the Soviets say has been suspended entirely since November 1988, have been as high as USD500mn annually according to western estimates. The US recently accused Soviet allies of sending new arms shipments to Nicaragua.

Walesa to visit Chilean trade union leaders

By Barbara Durr in Santiago

MR LECH WALESA, the leader of Poland's Solidarity movement, will visit Chile on October 26-28. Mr Walesa was invited by Mr Manuel Bustos, president of Chile's largest trade union confederation.

Mr Bustos and the confederation's vice president, Mr Arturo Martinez, are serving 18 month sentences of internal banishment for having organised a strike in 1987.

In a telephone interview from the south central town of Parral where he is banished, Mr Bustos said Mr Walesa's visit "will be a special pleasure for our country. I am interested that he acquaints himself with Chile and our work."

In a statement in Rome on Monday, Mr Walesa said he hoped that Mr Bustos and Mr Martinez would be freed by the time he arrived in Chile. However, Mr Bustos said that he saw no sign that the government of General Augusto Pinochet would relent.

Mr Walesa will arrive during the first campaign for free democratic elections in Chile since Gen Pinochet took power in a coup in 1973.

WORLD TRADE NEWS

Intel to set up I£300m chip plant in Ireland

By Kieran Cooke in Dublin

INTEL of California, the world's leading manufacturer of advanced computer chips, has announced that it is to set up an I£300m (£265m) manufacturing plant in the Republic of Ireland.

The plant was described yesterday by clearly delighted Irish Government officials as the biggest-ever investment in the country's electronics industry. Intel says that over a 10-year period, more than 2,500 jobs will be created at the new facility, to be built at Leixlip, a short distance from Dublin.

Mr Desmond O'Malley, Ireland's Minister for Industry, said that the Intel investment would consolidate the strong base which leading electronics leaders had built up in Ireland.

Four hundred such companies are based across the country providing direct employment for 25,000 people and significant economic and indirect employment spin-off. Some I£3.5bn of electronics products were exported from these companies last year – 25 per cent of Ireland's total exports.

Intel plans to build its Irish plant, its first manufacturing base in Europe, in three phases. The first phase will be a computer systems plant followed by a plant for the highly sophisticated and expensive process of wafer fabrication.

The third phase will involve the addition of a finishing and test centre.

The Intel project has been won by Ireland in the face of strong competition from several other European regions including Scotland.

Intel's move into European manufacturing has been prompted by new regulations which give significant cost advantages to local European producers.

The new regulations define locally-made semiconductors as those which have already gone through wafer fabrication within the EC. The manufacturers of finished electronic products are more likely to buy these semiconductors than imports from the US or elsewhere.

Mr Gordon Moore, Intel chairman and one of the founders of the company in the late 1960s, said that Europe now accounts for 25 per cent of Intel's total annual turnover of $2.87bn.

"One thing we've missed is a manufacturing base in Europe. That's why we're here – to be near our customers," he explained.

Other semiconductor companies, such as Fujitsu of Japan, have already announced plans to make sizeable investments in manufacturing facilities in Europe.

Texas Instruments of the US has recently announced it is expanding its European operations with a large new plant in Italy.

Lesotho benefits from distorted trade environment

Landlocked by South Africa, a small country offers a unique route to the world, writes **Julian Ozanne**

BENEATH sagging shelves laden with rolls of turquoise, purple, blue and yellow fabrics, 180 Basotho women are sewing, buttoning, pressing and packing clothes which will bear the label: "Made in Lesotho".

The women work for one of Lesotho's most dynamic, go-ahead clothing companies, Morija Textiles, which decided 18 months ago to relocate their manufacturing operation from Durban, South Africa to a newly-built factory shell in an industrial site in Lesotho.

For the Kluk family, who own and manage the factory, the move was prompted by their desire to break into the European and American markets, from which South African-made goods are either barred or boycotted. By achieving 25 per cent value added they are entitled to a certificate of national origin.

For Lesotho the arrival of the company, along with several others from as far away as Taiwan and Hong Kong, marks a significant success for the government's policy of attracting foreign investment for export-led industrialisation.

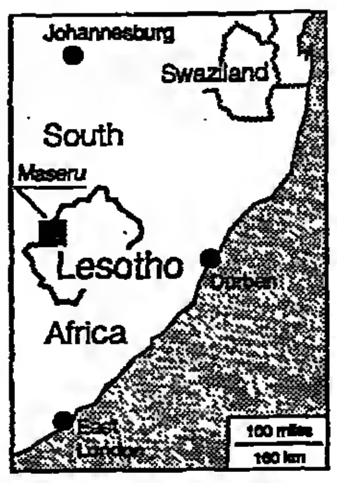
Within the last three years Lesotho's exports have been in the throes of a revolution. Since 1986 the total value of exports has almost tripled from 58m maloti (£13.5m) to 145m maloti in 1988. The main engine of this growth has been manufacturing, in particular articles of clothing, which has become the biggest single export-earner growing from 7m maloti in 1986 to 49m maloti in 1988.

Although the figures are still small the rate of growth is encouraging for this tiny, resource-poor country, landlocked by South Africa. Government officials are optimistic that the booming manufacturing sector will continue to expand and help Lesotho address its chronic trade deficit which last year reached 955m maloti.

Within the last three years more than 20 companies, mostly textile operations, have moved to Lesotho primarily to exploit the country's preferential access to international markets.

"We came here to trade internationally," said Mr Steven Kluk, director of Morija Textiles, which is producing 3,000 articles of clothing a day, mostly for export to France, Italy and Britain. "We looked at Mauritius and Swaziland but we decided Lesotho was more focused on a wider range of markets."

As a signatory to the Lomé Convention, Lesotho-made products are allowed duty-free access to the 300m consumers in the European Community. Lesotho also enjoys preferential access to the US under the Generalised System of Preference.



EXPORTS (Maloti millions)

Category	1986	1987	1988
Food/live animals	7.0	16.7	24.2
Beverages and tobacco	0.4	2.2	2.1
Crude materials	20.8	18.9	24.7
Mineral fuels	0.6	0.4	-
Chemicals & related products	1.5	1.6	2.1
Manufactured goods	6.3	7.6	7.2
Machinery and transport equip	1.9	2.1	1.3
Miscellaneous manufactured goods	17.9	41.2	80.9
Commodities not elsewhere specified	2.1	4.2	2.3
TOTAL	58.5	94.9	144.8

Source: Bureau of Statistics, Lesotho

The recent removal of GSP status from many of newly industrialised countries and the quota imposed on textile producing nations by the Multi-Fibre Agreement explains why Asian investors have moved their base of operations into Lesotho.

But some companies are also considering Lesotho as an opportunity to exploit the rapidly growing market of the South African Customs Union made up of Lesotho, Botswana, Swaziland and South Africa.

One American ceramics company recently announced plans to set up a 30m maloti plant in Lesotho to manufacture tiles, mostly for customers in the SACU who, under the weight of a constantly depreciating South African rand, are finding they can no longer import from abroad on an economic basis.

The flood of foreign investment into Lesotho is also partly as a result of an attractive and competitive investment climate which has been the brainchild of the Lesotho National Development Corporation, a successful, well-managed state-owned corporation.

According to Mr Moletsane Monyake, managing director of LNDC, this alluring investment package includes a tax holiday of up to 15 years, abundant trainable labour, government grants for training, concessional loans, security of investment through membership of the Multilateral Investments Guarantee Agency, and free access to foreign exchange and the repatriation of investment capital and earnings.

The LNDC is also promoting economically viable import-substituting industries like brick-making and production of edible oils.

Although the majority of companies which have moved to Lesotho come from South Africa, according to Mr Monyake and western embassies in Maseru, the government is strict in ensuring that all companies meet the international requirements on value-added content and origin criteria.

"Lesotho does not act as a conduit for South African manufacturers to access world market sanctions," said Mr Monyake.

But the government is concerned about the high degree of import content in the manufacturing process, in particularly textiles. The opportunity for local sourcing of raw materials is limited but the government is hoping that companies will follow the example set by Morija Textiles which has just taken on a second factory shell to produce its own cotton cloth. The company says that by the end of next month it will be self-sufficient in cotton fabric, importing only the yarn and dyes.

Another problem for the government in the long term is whether this trend of investment is sustainable, given that it is based largely on economic distortions in international trade, including sanctions against South Africa and quotas on garment imports into OECD countries.

Many of the new manufacturing operations, in particular textiles, are highly mobile. There are fears that if the South African trade prospects improve many of the companies will move back across the border. But the longer the companies stay in Lesotho, building up a pool of trained labour, the more likely they are to stay.

US investment group launches fund to boost business in Africa

ENCOURAGED by the new emphasis on private sector development in Africa, the US Overseas Private Investment Corporation (OPIC) has launched a $30m (£18.7m) fund to boost business in Sub-Saharan Africa, Nancy Dunne reports from Washington.

Managers of the Africa Growth Fund are now considering equity investments in 15 projects in 13 countries in the fields of agriculture, mining, financial services, trading and tourism, Mr Robert Draggon, OPIC's vice-president for finance, said.

Potential investments have been identified by Equator Bank, a Connecticut-based merchant bank which is managing the Fund on an incentive-fee basis through its offices in the US, London, Angola, Zambia and Kenya.

The Fund marks a shift in resources for OPIC, which has provided loans and loan guarantees for US investment in developing countries. OPIC officials hope to encourage a larger presence of US companies in a growing African market, where European business has always dominated.

OPIC will raise two-thirds of the Fund's capital by issuing promissory notes in the capital markets, backed by guarantee.

A further $10m is being raised by selling shares in the fund at $1m each to US banks and corporations, which will become limited partnerships in the Fund.

Mr Draggon said the Fund had so far signed up five co-investors: Coca-Cola; MW Kellog, a Houston energy company; Lummus, a medium-sized US manufacturing company; several private Rockefeller funds; and Citicorp Investment Bank.

Equator officials expect work closely with the African Development Bank and other institutions to provide an underpinning for capital market development in the region.

Mexico and US agree to strengthen trade links

By Nancy Dunne in Washington

THE US and Mexico yesterday announced agreement on an "action plan" to strengthen their trade and investment ties, but rejected the idea of sectoral free trade agreements as potentially damaging to the Uruguay round of multilateral trade talks.

The pact, signed during the first visit to Washington by President Carlos Salinas de Gortari of Mexico, establishes a negotiating process to increase bilateral trade and investment in products such as cars, petrochemicals, telecommunications, computers and electronics.

The bilateral negotiations will also focus on non-sectoral issues such as services, intellectual property rights, technology, investment, distribution problems and barriers to market access.

In agreeing on the talks, the two countries specifically rejected the goal of free trade agreements, much discussed during the Reagan Administration. They will not grant each other preferential treatment, which would require a waiver from the General Agreement on Tariffs and Trade.

Mrs Carla Hills, the US Trade Representative said the understanding will "complement the work under way in the Uruguay Round of trade talks to improve the global trading system."

A US trade official also announced that agreement had been reached on the renewal of Mexico's "voluntary" restraint agreement (VRA) on steel exports to the US. He said Mexico had signed a bilateral consensus agreement to eliminate trade distorting practices in steel and would be awarded a larger share of the US import market.

Mrs Hills was yesterday still negotiating various steel VRAs, although the programme was formally implemented on Sunday.

President Salinas began his five-day US tour with an appeal for measures to increase trade, improve the environment, and resolve border issues such as drug-trafficking and migration. Panama and Nicaragua were also on the agenda.

The US also agreed "to review and improve" the bilateral agreement on textiles and apparel. Washington, which has reluctantly accepted liberalising textile trade in the Uruguay Round, has agreed to "greater flexibility" and a consolidation of some products under the quotas and "streamlining procedures".

UK company in accord for Qatar smelter deal

By Victor Mallet

THE Gulf state of Qatar has reached agreement with Davy McKee, the British engineering and contracting company, on setting up a $1.25bn (£781m) aluminium smelter, the latest in a series of Gulf aluminium projects.

Davy McKee, part of Davy Corporation, said it would "lead the development" of the smelter at Umm Said under the accord. This involves establishing a holding company, the Qatar Aluminium Co (Qalco), and finding investors.

Davy McKee executives also expect their company to be the main contractor, although a formal agreement has yet to be signed. The smelter, with an annual output capacity of 193,000 tonnes, will have its own power and water desalination plant, and will generate the power using natural gas from the North Field now being developed.

Output should start in late 1991, and full aluminium production is expected in 1993, Davy McKee said.

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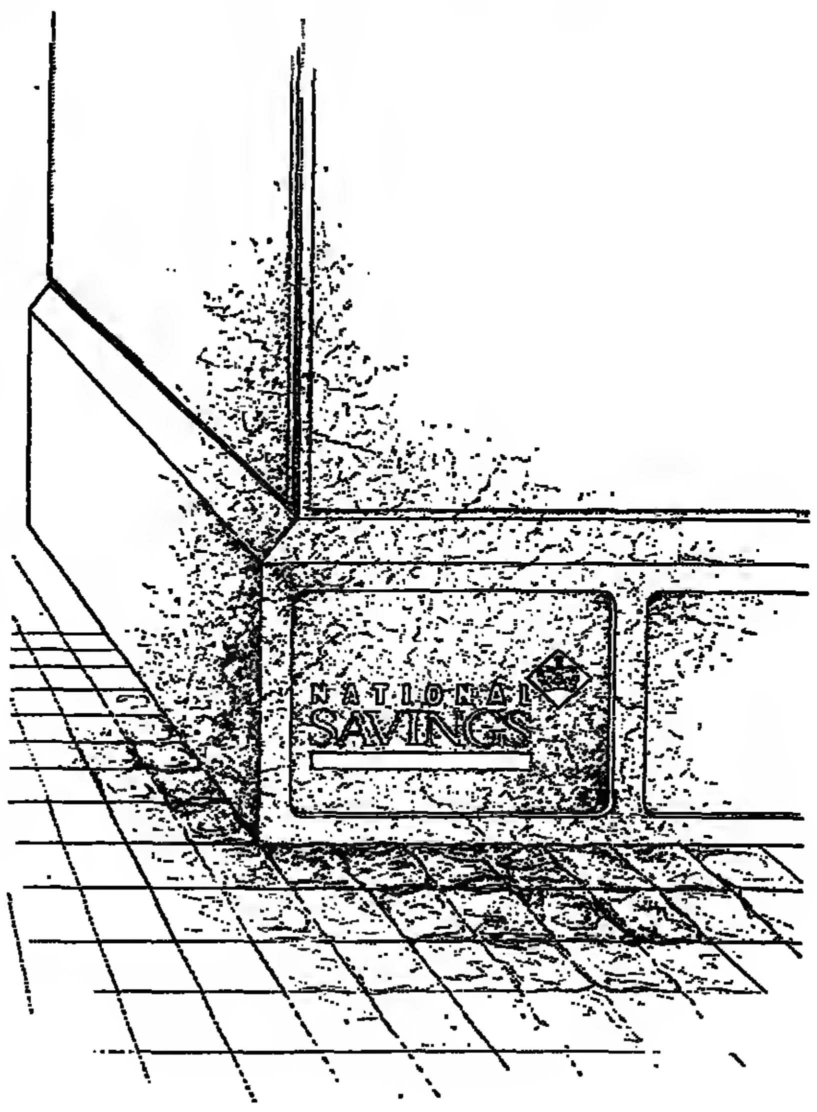

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Modest fall in underlying reserves surprises City

By Patrick Harverson, Economics Staff

BRITAIN'S gold and foreign currency reserves fell by an underlying $142m last month, prompting surprise in the City London yesterday.

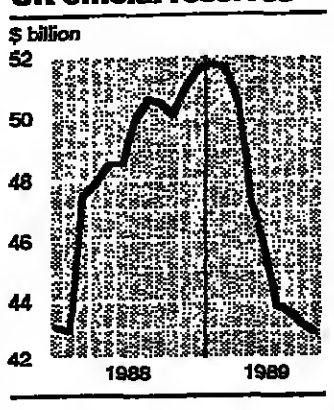
After intervention in the foreign exchange markets last week by the Bank of England to support the pound and depress the dollar, currency analysts had been expecting a fall in reserves of between $1bn and $2bn.

The fall in September compared with a $405m decline in August, and left the level of reserves at $42.88bn. Last month's fall would have been greater but for $260m of foreign currency receipts from the final instalment of the British Steel shares sale.

Analysts treated the reserves figures with scepticism. Some suggested that the Bank had bought pounds on the forward market to disguise the scale of its activities. The effect of any trading by the Bank in the forward markets will not show up for several months.

Mr John Shepperd at Warburg Securities said that the Bank may have decided to operate in the forward markets to avoid releasing a figure this week showing a large fall in reserves. This might have put an already nervous pound under further pressure.

UK official reserves



The Bank of England would not comment on its activities, but Treasury officials said that the underlying change in reserves could not be taken as an indication of market intervention. Because of the two-day settlement lag in the currency markets, the figures do not include the final two days' trading of September when intervention by the Bank to prop up the pound was at its heaviest.

Sterling came under pressure last Tuesday after e larger than expected £2bn current account deficit was announced.

The Bank intervened to prevent a sharp fall in sterling almost immediately, and remained a buyer of pounds throughout the week. It was also in the markets selling dollars last week as part of concerted intervention by world central banks to push the US currency lower.

Some analysts said that yesterday's news could help ease the pressure for an immediate rise in UK interest rates. The smaller than expected fall in reserves means that the Bank of England can afford to support the pound through further intervention.

However, the the pound could come under renewed downward pressure later this week if West Germany's central bank, the Bundesbank, raises West German interest rates after its Council meeting tomorrow.

It is now generally expected in the markets that the Bundesbank will opt for a rise in its discount and lombard rates. The question is whether the rates will go up by a half or a full percentage point from their respective 5 per cent and 7 per cent levels. However, some analysts in the City claim that the currency markets have already discounted a rise in West German interest rates.

Welsh-Japan link claims technology first

By Anthony Moreton, Welsh Correspondent

THE Gooding Group, the privately owned Welsh electronics group, has combined with Japan's Sanken Electric, the power electronics group, to make switchboard power supplies at Aberdare in South Wales in what is claimed to be the first transfer of technology from a Japanese to a British company.

A joint company, Gooding Sanken, has been set up with the Gooding Group holding 51 per cent of the capital, which could eventually total £8m, and Sanken the remainder. Mr Alf Gooding, chairman of the privately owned Gooding Group, will be chairman of the joint venture.

The Aberdare plant, which will lease premises from the Welsh Development Agency, is expected to begin production next June and is expected to employ 300 in two years.

Mr Gooding said in London yesterday he was confident the company would employ more than 500 in three years, by which time its output should be between £40m and £50m, rising by the end of year five to £75m-£100m.

Under the deal, a research and development facility will be set up in Wales which, Mr Gooding said, would be the first technology transfer – Sanken will transfer its power electronics technology to the joint company as well as provide design and expertise.

Mr Koichi Kotani, president of Sanken, said he wanted the company quickly to be independent and self-supporting. Sanken has a turnover of about £500m.

Much of the £1.2bn a year European market for power supply units originates in the Far East, and Gooding wants to win a big share of this business.

Mr Gooding has been courting the Japanese for the past few years. Early this year Citicorp, the US bank, took a 24 per cent stake in the company and later G Itoh, the Japanese trading house, took 20 per cent.

Gooding Sanken is the first fruit of the association with C Itoh – Sanken is not part of the Itoh trading house, but the companies were introduced by Itoh.

Mr Gooding said he was in talks for four further links between his company and Japanese concerns, and hinted that at least two could bear fruit by next year.

The Gooding Group has been best known for its Race Electronics subsidiary, which makes printed circuit boards. Mr Gooding, who started in the building trade, has built this concern up in four years to an annual turnover of £160m and 1,400 employees.

'No state aid' for Tunnel

FINANCIAL difficulties facing the Channel Tunnel project were e matter for Eurotunnel, not the Government, Mr Cecil Parkinson, Transport Secretary, said yesterday, writes Andrew Taylor.

Eurotunnel, the UK-French group that will operate the tunnel, said on Monday that the cost of the project would be at least £2bn higher than estimated.

The British and French companies contracted to build the tunnel say cost rises are £500m higher than those announced by Eurotunnel.

Mr Parkinson was confident in the abilities of Eurotunnel and Mr Alastair Morton, its joint chairman, to raise the extra finance needed.

He said: "Alastair Morton has a difficult job on his hands but he has shown he can handle it. This is not a matter for the Government."

He refused to be drawn on whether the Government would help if a private sector financial solution could not be negotiated.

The Channel tunnel treaty, at the British Government's behest, prohibits the use of state funds to bail out the project.

Managers' pay gap wider

THE GAP between senior directors' and middle managers' salaries has continued to widen, according to a survey of 11,179 executives by P-E Inbucon, management consultants, writes Michael Skapinker.

The median pay of UK executives and managers rose 9.7 per cent in the year to July 1, while the the median salary rise for managing directors was 11.4 per cent.

Of managing directors, 32 per cent received rises of 15 per cent or more, while 23 per cent saw their salaries rise by between 10 and 15 per cent.

Other directors received a median rise of 10.8 per cent; 53 per cent saw salary rises below 10 per cent.

The median basic pay of middle and senior managers other than directors rose 9.4 per cent. Nearly two thirds received rises below 10 per cent.

The median rise in total remuneration for all managers was 10.2 per cent.

The median increase in total remuneration for managing directors was 13.8 per cent. Directors received 12.2 per cent and other managers were awarded 9.9 per cent.

BAe looks East in wake of jet launch

By Paul Betts

BRITISH Aerospace yesterday launched a new long-range business jet and is discussing possible co-operation with Japanese companies led by Fuji Heavy Industries to consolidate and expand its profitable corporate aircraft activities.

The talks with Japan, whose airforce recently ordered three BAe business jets, could lead to BAe subcontracting work on its existing line of corporate jets to Japanese partners. It could eventually lead to joint development with Japan of an even longer range aircraft.

Fuji Heavy Industries appears to be the leading Japanese candidate to co-operate with BAe in corporate aircraft. Any eventual co-operation with Japan would fit with BAe's broad strategy of forging closer links with Japanese companies, along the lines of its partnership, through the recently acquired Rover car maker, with Honda.

BAe strengthened its relationship with Honda last July with a cross-shareholding. Honda will take a 20 per cent stake in BAe's Rover car business while Rover took a 20 per cent stake in Honda's UK manufacturing facilities.

BAe's new aircraft – the BAe 1000 – was launched yesterday at the National Business Aircraft Association Convention in Atlanta, Georgia. It is the latest member of BAe's 125 family of business jets, which has already chalked up 745 sales since it began under the de Havilland banner 27 years ago.

The new jet cost £35m to develop and, at around £10m, sells for about 15-20 per cent more than the 125-800, of which it is a derivative.

BAe claims the 1000 is the first medium-sized, twin-engined business jet able to carry six passengers more than 3,200 nautical miles, enough to cross the atlantic.

BAe expects the new aircraft to strengthen further its business jet sector, which has long been the most profitable part of its commercial aircraft operations, accounting for about 15 per cent of the group's commercial aircraft turnover which totalled £961m last year and £550m in the first half of this year.

The new aircraft will be produced along with the shorter-range 125-800 at BAe's factory at Chester in north west England. Production is to be increased from an average of 35-40 aircraft a year to combined total for the two models of 50 aircraft a year by 1992. The 1000 is expected to account for about 60 per cent of business jet output at Chester.

Apart from the traditional corporate market, BAe says there is increasing interest from regional airline operators and military customers. The US air force has bought six 125-800s for electronic flight surveillance operations, and the Japanese air force intends to use its three 125-800s in a similar way – indeed, Japan has indicated an overall need for about 70 small jets for military and coast guard applications.

It is this requirement for a substantial number of small twin-engined business jets that appears to have opened the way for eventual closer cooperation between Japan and BAe in the corporate aircraft sector. Moreover, Japan is clearly interested in development of a corporate jet with a range of around 6,000 nautical miles to fly Japanese executives non-stop across the Pacific.

In Brief

UK fleet 'too small to meet Nato role'

The merchant shipping fleet has shrunk such that the UK cannot fulfil its Nato defence obligations, Britain's shipowners claimed, writes Kevin Brown. The General Council of British Shipowners called for state subsidies of £125m a year to encourage shipowners to order new ships and help cover manning costs.

A council report estimates that the UK would need to call up 1,315 ships to fulfil Nato obligations in wartime, and to provide for its own economic supply needs. But the UK-registered fleet has declined from a peak of 1,682 ships of 31.5m gross registered tons in 1975 to 482 ships of 6.6m tons at the end of June.

The council blames the decline on 10 years of recession and the withdrawal of tax incentives for investment.

Union ballot date

Industrial action ballots covering 24,000 workers at seven sites at British Aerospace, Rolls Royce, Smiths Industries and NEI-Parsons will start the week after next, engineering union leaders decided.

Satellite move

British Satellite Broadcasting plans a big television advertising campaign next month offering a "squarial" reception dish, and a three month film channel subscription for £10, in a move which may bring complaints to regulatory bodies from rival Sky Television.

Water poll

A Gallup poll found that 97 per cent of consumers favoured action against companies which pollute drinking water, 96 per cent favour action against river polluters and 79 per cent expect higher water prices – 65 per cent would pay more for water if it helped clean up the environment.

Building equipment demand declining

By Nick Garnett

DEMAND for earthmoving equipment and other construction machinery is declining sharply after several years of steep rises fed by the surge in building.

Sales of 14 of the main types of machinery used in the UK are expected to fall to just under 19,500 units this year from 22,800 last, says Corporate Intelligence Group, an industry analyst.

Demand started falling noticeably from the middle of this year and will continue to do so into the first half of next year, the company says in its market report for September.

High interest rates, the fall in housebuilding starts and forecasts for static construction are all cited as reasons for the sales fall.

However it says it is also related to the exceptionally high equipment sales in 1987 and last year which resulted in a substantial cut in the average age of UK construction equipment stock.

The UK market grew by 25 per cent by unit sales last year, confirming it as the biggest in Western Europe in unit sales volume.

For the 14 principal machinery types - which include backhoe loaders, all types of excavators and dump trucks as well as rough terrain forklifts and wheeled loaders - sales last year of 22,800 units compared with 12,620 units in 1984.

Corporate Intelligence says, though, that there is no chance of a recession in the UK's construction machinery manufacturing industry because the British market will still remain large next year and some export markets, particularly France and Spain and, to some extent West Germany, remain strong.

Output of machinery from the UK has risen steeply since the mid 1980's. Output of these 14 products has risen from 13,640 in 1984 to 34,410.

The most marked increase has been in the production of backhoe loaders, a tractor-type vehicle with a bucket in front and digger mechanism at the back.

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LABOUR PARTY CONFERENCE

Kinnock says party 'fit to serve as government'

By Philip Stephens, Political Editor

MR NEIL KINNOCK, leader of the opposition Labour Party, yesterday heralded the start of Labour's public campaign to win the next general election with the declaration that the radical shift this year in Labour's policies had transformed it into a party that was now "fit to serve" in Government.

In his keynote speech to the annual conference in Brighton, Mr Kinnock won a sustained and enthusiastic ovation after declaring that Mrs Margaret Thatcher's Conservative Government was proved that it was not good enough for the British people. "We are now," he added.

His address, which sketched out his priorities for the 1990 which Labour would offer the electorate, was designed to cast the party as the one which was "going forward to face the future, meet it and shape it." The Conservatives were "just waiting for the future to hit them."

He repudiated any suggestion of electoral pacts with other opposition parties, insisting that Labour could defeat the Conservatives unaided as long as it continued to display strong unity of purpose and act as a "serious self-disciplined party."

The policy changes - which include the abandonment of unilateral nuclear disarmament and the adoption of more market-orientated economic policies – had meant that voters were increasingly willing to "trust" Labour.

Mr Kinnock, who identified increased education and training, rebuilding Britain's economic base, acting to preserve the environment, and playing a full role in the transformation of East-West relations as priorities, also emphasised that it could not offer extravagant promises to the electorate.

Everyone should understand that "if we set ourselves the task of doing everything that is desirable we will do nothing that is significant," he said.

He confirmed the party's commitment to full British membership of the European Monetary System, suggesting that sterling would be in the exchange rate mechanism by 1992.

Mr Kinnock, whose performance lacked much of the passionate rhetoric seen in previous years, also signalled a determined effort to change his image with the electorate from that of a frequently embattled party leader to that of a "Prime Minister-in-waiting."

Party officials said that after several years in which the focus of his efforts had been restoring discipline in the party, he was now seeking to address the wider electorate.

He derided the present Government's economic policies which had left an economy that was "unbalanced, underskilled, inflating and importing." Mrs Thatcher, he insisted, had squandered Britain's oil wealth and done "absolutely nothing to prepare our country or our people" for the challenges of the European single market.

The speech also sought to make maximum capital over the Government's present discomfort with high mortgage interest rates and the threat of a run on sterling on foreign exchange markets, arguing that those who had sought to buy their own homes had been "cheated."

Mr Kinnock dwelt at length on the need for global action to preserve the environment, insisting that a Labour government would replace the "gestures" offered by the Conservatives with practical measures to conserve resources and curb pollution."

Party colleagues acknowledged that the speech had lacked much of the fire of previous years, but said that the lengthy and almost unanimous ovation – particularly from constituency party activists – had once again underlined his unchallenged authority on big issues.

They dismissed as an irritant another dispute at the conference over the establishment of "black sections" within the party.

Kinnock: "The people of Britain know that we have worked for and earned our increased strength.....Increasingly they are prepared to trust us with the future."

Policies 'in favour of wealth creators'

By Lisa Wood

WEALTH CREATION was not the responsibility of a minority – but the business of the whole community, said Mr John Smith, Labour's chief economic spokesman, introducing the debate on economic equality at the Brighton conference yesterday.

Mr Smith said that was the opposite of Mrs Thatcher's view – in which there was a world divided into an élite of wealth creators and the rest, a majority of consumers, not producers.

Labour's policies, said Mr Smith, were unashamedly biased in favour of wealth creation and wealth creators – because under Labour everybody would be wealth creators.

As formulated in the policy review, the party would concentrate on three main areas: tax reform, a new social insurance scheme and measures to alleviate poverty.

Mr Smith reaffirmed Labour's commitment to a national minimum wage, a move which would benefit some 4m people immediately, mainly women.

The wage would start at 50 per cent of male median earnings – which at 1989 rates would work out at £2.80 an hour. Over time a Labour government would increase the rate to two-thirds of the male median rate.

Labour, he said, would also do more for the least advantaged. "Our fairer and more rational system of taxation will ensure a lower share of the burden of taxation for those on low and average incomes."

Labour proposes to lower initial starting rates of income tax to below 20 per cent and raise the top rate to 50 per cent.

Deloittes to link with Coopers in UK in twist to merger

By David Waller

IN the latest twist to a year of mergers and merger talks among the Big Eight accountancy firme, Coopers & Lybrand and Deloitte, Haskins & Sells are today likely to announce the merger of their UK practices to form a new grouping with UK fee income of £414m.

The situation is complicated by the fact that Deloitte's international practice has been in merger talks with Touche Ross International, another professional services group, since the the beginning of July this year.

Touche announced yesterday that that it had been unable to link up with Deloitte in the UK, but that the international merger – to form Deloitte Ross Tohmatsn – was still resolutely on course. Touche's UK firm said it was joining the new international firm, whilst the US partners in both Deloitte and Touche voted for the merger proposals as long ago as August.

On the face of it, this suggested that Deloitte's UK arm – which had fee income of £189m in the year to March 1988 – was going to be left out on its own. However, it emerged that it is poised to announce a link-up with Coopers – one of the so-called Big Eight firms which had appeared to have been left out of this year's round of merger negotiations.

This has seen Ernst & Whinney get together with Arthur Young to form Ernst & Young, and Arthur Andersen talk with Price Waterhouse. Ten days ago, the PW/Andersen talks were ended due to regulatory problems and irreconcilable differences over the structure of the merged firm.

Neither Deloitte's UK arm nor Coopers would comment on the situation yesterday, although Deloitte said that all would become clear in an announcement this morning. In theory, the link-up between Deloitte and Coopers would create the UK's largest firm, far eclipsing the £316m fees generated by Peat Marwick McLintock in 1987-88.

However, industry observers said that there would be an enormous squabble for Deloitte's client base in the UK, which yielded fee income of £189m in 1987.

Many of its US-based clients which also required an audit in the UK would defect to Deloitte, Ross, Tohmatsu, they thought.

Banks seek to join card system

By David Barchard

SWITCH, the all-electronic payment card system launched a year ago by National Westminster, Midland, and Royal Bank of Scotland received a boost yesterday with the news that Lloyds and Barclays are to apply to join.

The banks have been strong critics of Switch since its establishment. Their decision to join the scheme has far-reaching implications for the UK retail payments market, already undergoing an upheaval.

Barclays' decision to apply was announced by Mr Seymour Fortescue, Barclays director UK retail bank services, at a Financial Times Retail Financial Services Conference yesterday in London. Lloyds said later that its application had already been submitted.

The next step will be formal talks between the Switch members and the two banks. Unless Barclays and Lloyds demonstrate that they intend to issue cards bearing the Switch logo to their customers, as well as add Switch to the package of MasterCard and Visa facilities they offer retailers, they may find themselves facing a battle with the Switch banks.

Their decision to join follows the recommendation in August by the Monopolies and Mergers Commission report on credit cards that banks should be allowed to sign up retailers as soon as they join a payment card organisation and not wait until they have issued a large number of cards to their customers.

Barclays and Lloyds were the first two banks in the UK debit card market, issuing Visa debit cards such as Barclays Connect whicb can be used through paper vouchers as well as in electronic terminals. Only TSB Bank has since chosen the Visa debit card route.

The other large UK banks chose a different debit card strategy by setting up Switch, a payment scheme that can only be used in electronic terminals and so takes longer to develop. It also has the disadvantage of not being usable outside the UK.

Pit sell-off holds 'seeds of disaster'

By Robert Rice, Legal Correspondent', in Strasbourg

THE FORMER legal adviser to British Coal yesterday warned investors of the potential dangers of investing in the company after it is privatised.

Mr Ronald Cowles, a partner in solicitors Norton Rose, told the International Bar Association conference in Strasbourg that although some parts of the industry were likely to be profitable, "other parts would have concealed dangers which would carry with them the seeds of financial disaster."

The Conservatives are expected to privatise the industry if they win the next general election. Mr Cowles predicted it would not be sold as one unit, but be split up, with assets parcelled into individual packages and floated off or put up for auction.

Each package would have to be capable of yielding a profit. So unless the Government was prepared to incur the odium of closing unprofitable pits before sell-off, each package would have to contain profitable and unprofitable assets.

Mr Cowles said mines carried with them a past burden of old shafts, gas deposits, flooding and subsidence. British Coal was etill handling claims from mineworkers for pnenmoconiosis, silicosis, asbestosis, and noise-induced hearing loss from more than 40 years ago.

Investors would be expected to shoulder responsibility for some of those past liabilities and for any physical damage or injury arising after they acquired their interest.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

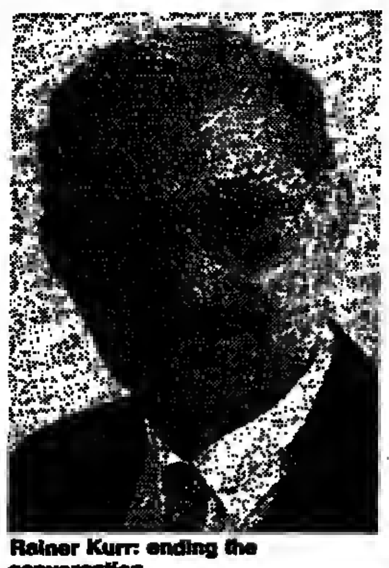
Consumer electronics

How Sony's European managers are exercising their prerogative

The group's non-Japanese senior executives now have real power, reports Guy de Jonquieres

Dr Rainer Kurr, the German general manager of Sony's European television division, has a proven method for dealing with any bumptious young Japanese subordinate who presumes to question his management style.

Pinned to the wall of his Stuttgart office is a quotation by Kazuo Iwama, one of Sony's three founders, stressing that each of its factories must be free to develop in its own way. "If I get a guy who sits here and tells me how to run this operation, I simply take down that sheet of paper and quote what Iwama said," says Kurr. "That ends the conversation."



Rainer Kurr: ending the conversation

That foreign managers such as Kurr can insist so forcefully on their prerogatives is a matter of some pride in Sony – and clearly marks it out from the run of other Japanese manufacturing companies.

Few have gone as far as Sony in appointing local nationals to senior positions in their overseas operations, which in many cases amount to simple assembly plants. Fewer still allow foreigners to get on with the job without being constantly shadowed or directed by expatriate Japanese executives acting on detailed instructions from head office.

"Our corporate culture has lived with the idea that foreigners have infiltrated the structure. They cannot be neglected. You can't go around them," says Jack Schmuckli, head of Sony's European operations, who was recently appointed to the Sony main board.

In part, this tolerance towards outsiders stems from the "Sony philosophy" – a pervasive but ultimately indefinable set of values which emphasise flexibility and openness to new ideas. As Schmuckli puts it: "We are a company of engineers which encourages creativity and individual freedom. We accept more than any other Japanese company that people are different."

Indeed, some managers say that far from dictating to its foreign subsidiaries how they should behave, Sony's headquarters in Tokyo positively requires them to take the initiative.

"One of the most difficult things is going and asking for instructions," says Ken Barratt, chairman of Sony's UK-based Broadcast and Communications (SBC) division. "If you do, you're in for a rude shock. The reply is, 'What are *your* plans, what are you going to do for us?'"

Sony Japan has also deferred to ideas from international subsidiaries when it was convinced they were superior. In the early 1980s, it dropped its own proposed standard for digital professional tape recorders in favour of a competing approach by SBC, which helped develop the basic technology. And when Sony built a compact disc player plant in Alsace, France, three years ago, it chose a local design over two Japanese alternatives.

Sony's cosmopolitan approach undoubtedly owes much to the personal influence of Akio Morita, its 68-year-old chairman, who helped found the company just after the Second World War. One of Japan's most articulate and internationally-minded industrialists, Morita has long pursued a personal crusade to improve understanding between Japan and the west.

However, the company's attitude has also been shaped by self-interest. Faced with formidable competitive barriers to expansion in its home market, it concluded early on that it needed to seek most of its growth abroad. Quite simply, in order to survive and prosper Sony has had to learn how to get on with foreigners.

Its first European plant, in Bridgend, South Wales, was opened 15 years ago, since when seven others have been added in the EC. Holder of a Queen's Award for Exports, Bridgend has frequently been singled out by British politicians as a model Japanese factory. Perhaps because of its high profile, it has also attracted regular visits by executives from other Japanese companies, including the Nissan motor group, in search of advice and ideas on how to organise their own UK production facilities.

None the less, Sony has still not solved all the most common cultural problems associated with Japanese multinational companies. At the simplest level, language can be a difficulty. Though English is its internal *lingua franca* in Europe, some Japanese engineers seconded from Tokyo have been found to have only a shaky grasp of it. "I'd ask them a question, and they'd say yes," says Kurr. "I'd ask them the reverse, and they'd still say yes."

At a deeper level, Ken Barratt says misunderstandings can easily develop over technical issues because the Japanese and the Europeans differ sharply in their conceptual approach to problems. "It is difficult to get the Japanese to explain why they're doing something. You measure your progress by how much they tell you about their reasons."

Some younger Japanese managers are also accused by their European counterparts of insensitivity and arrogance. To reduce such friction, Sony has begun filtering the staff it sends out from Japan to ensure that they are temperamentally able to deal with foreigners.

However, such difficulties, compounded by the problem of communicating with a headquarters 6,000 miles away, are viewed by some in Sony as an additional reason for embarking on the next, ambitious phase in its international development. In the next few years it plans to convert its European operations from an extension of the Japanese parent company into a more self-sufficient unit, with the resources and *authority* to make many of its own business decisions.

According to Schmuckli, the aim is not to cut the ties with Japan, but to equip Sony in Europe with the financial, technical and marketing tools to respond as it sees fit to local market conditions. Ultimately, Sony wants to become so fully "Europeanised" that it is accepted on the same terms as indigenous competitors.

This goal, which commands Morita's strong support, also meets the demands of many of the company's local managers, Japanese as well as European, who have been seeking a steadily greater say over what products to make and how to make and market them.

Though they have already achieved some success – for instance, the chassis for television sets made in Europe are now all designed locally – the future of the grand design will depend critically on getting the parent company to cede more prerogatives. Sony managers readily admit that, in practice, the *idea still faces resistance* in Japan, particularly among middle-level managers.

The principal vehicle for transferring more autonomy is the two-year-old European Keiei Kaigi (executive committee) of the Cologne-based Sony Europa, which Schmuckli chairs. It has already been given overall responsibility for co-ordinating tha region's investment budget, production allocation and marketing.

It is also, Schmuckli insists, the European operations' principal reporting channel for all questions of more than a technical or day-to-day nature. Line managers who try to bypass the organisation by going directly to Tokyo for decisions will find their reqnests referred straight back to Sony Europa, he says.

"We accept more than any other Japanese company that people are different"

However, as many other multinationals have discovered, it is one thing to set up an important-sounding management entity and quite another to give it a real role to play. Ironically, the new organisation's effectiveness may depend as much on the attitudes of Sony managers *in Europe as of those in the parent* company.

One point made by many Sony *managers* is that the *company* has always had a very fluid corporate structure and a management style which depended on informal co-ordination and improvisation. "Compared with Matsushita and many other companies, Sony looks disorganised," says Hiro Nakamura, *head* of European television manufacturing. "But it's not; we can really move fast. When I need to achieve *something*, *I know how* to do it. Sometimes horizontal works best; sometimes vertical is better."

For instance, when he wanted to win approval for a £36m expansion of the Bridgend tube plant, he waited until Norio Ohga, Sony's president, made a visit there two years ago. "When Ohga agreed, I used his statement to shake the product group in Japan," Nakamura says.

Schmuckli insists that, nowadays, such an investment proposal would be funnelled through Sony Europa. None the less, other executives say many things still get done faster in Sony by knowing people with the right connections in Tokyo than by following formal procedures.

"When you want to get functions like engineering transferred from Japan, it makes things much easier to have a strong Japanese ally in Europe," says Rainer Kurr. He also assiduously maintains a network of well-placed contacts in Sony Japan, whom he calls "our ambassadors over there." "It works marvellously, *personal* relations solve almost everything," he says.

Schmuckli concedes that some managers may still instinctively look to Tokyo *for* decisions, rather than to Sony Europa. However, he adds: "My management style may give them the *idea* that they have a *lot of freedom*, which they do, but the fact is that the decisions have to be taken in this organisation."

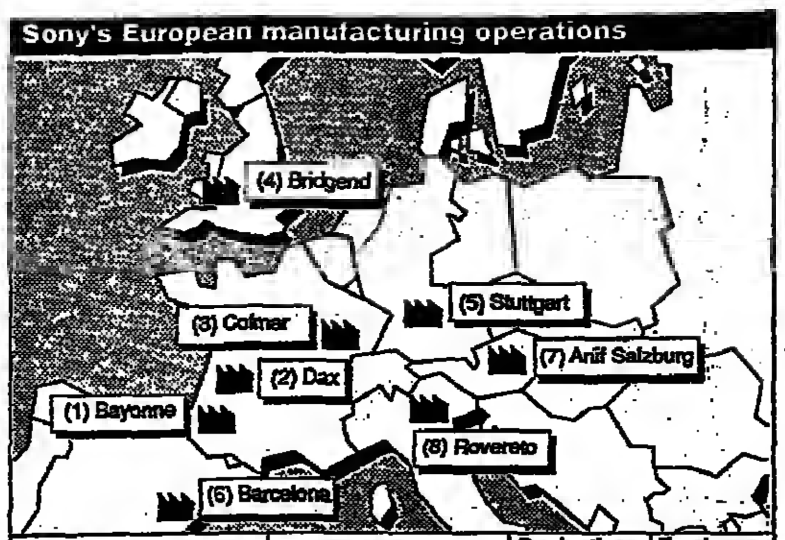
His own close personal relationship with Morita, his membership of the main board and his command of Japanese undoubtedly put him in a strong position to influence top management at headquarters and to press the case for further decentralisation.

But to many in the company, the real test of the company's "localisation" policy will lie not in the number of new functions transferred to Europe, but in the extent to which Sony Japan is prepared to entrust European managers to run them. Crossing that threshold may depend more on subtle psychological change than on modifications in corporate structure.

As an executive in *one* of Sony's European manufacturing operations puts it: "Confidence and continuity are the key part – and the most difficult to achieve. This isn't a social experiment. It has to work. If that means having a Japanese managing director here for 25 years, so be it."

A previous article about Sony was published in Monday's paper. A further article will appear on this page.

Sony's European manufacturing operations



Location	Type of product	Production start	Employees
(1) Bayonne (France)	Audiocassette tape	Dec 1980	370
(2) Dax (France)	Videocassette tape	Sep 1984	210
(3) Colmar (France)	Camcorders 8mm video Hi-fi/CD players	Nov 1986	648
(4) Bridgend (UK)	Colour TV Colour picture tube	Jun 1974	1,700
(5) Stuttgart (W.Germany)	Audio, Colour TV, Video	Feb 1975	640
(6) Barcelona (Spain)	Audio, Colour TV, Video	Oct 1973	250
(7) Anif (Austria)	Compact discs	Jun 1987	248
(8) Rovereto (Italy)	Audiocassette tape	Early 1988	150

The four phases of the learning curve

Alan Jones, an industrial relations specialist who has worked at Sony's Bridgend plant since the beginning, reckons he can tell how long other Japanese companies have been manufacturing in Britain just by the questions they ask about Sony's operations.

In Jones's experience, Japanese plants overseas go through four phases. "The first five years are a euphoric honeymoon. The objective is clear, to get the project on the road," he says.

"The next five years are the 'who does what' phase. People start to ask questions which are much harder to answer. Some begin to realise they won't be promoted. A lot of Japanese managers have returned home, and new ones are getting acclimatised.

"Then comes the 'new realism'. You've gone through the post-honeymoon depression and you accept that there are differences between Japanese and westerners. The final stage occurs when those differences become an advantage. After 15 years, we're in a 'we can make the best of it' phase."

However, even though Sony has achieved that state of grace, it is still wrestling with a number of challenges. One of the toughest, says Jones, is staff motivation. Young people in Japanese plants get promoted very quickly, but once they realise they cannot all rise to the top, disillusionment can set in. The most affected group are middle managers. Ironically, the problem is the policy of treating all employees equally.

While shopfloor workers can look forward to promotion and top management know they exercise real authority, middle managers start to yearn for more tangible recognition and kudos.

Jones thinks one solution Sony may have to consider is to encourage wider participation at this level in management decisions. He also believes there will be growing scope for transferring more of Sony's local European managers between the company's operations in different countries. At present almost the only managers who move around between postings within Europe are Japanese executives.

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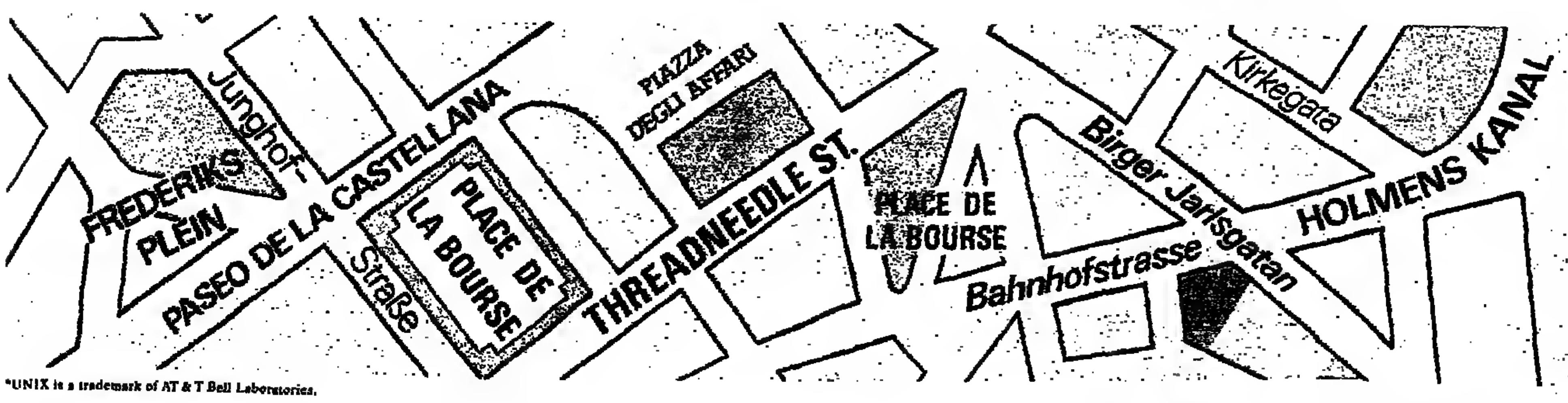

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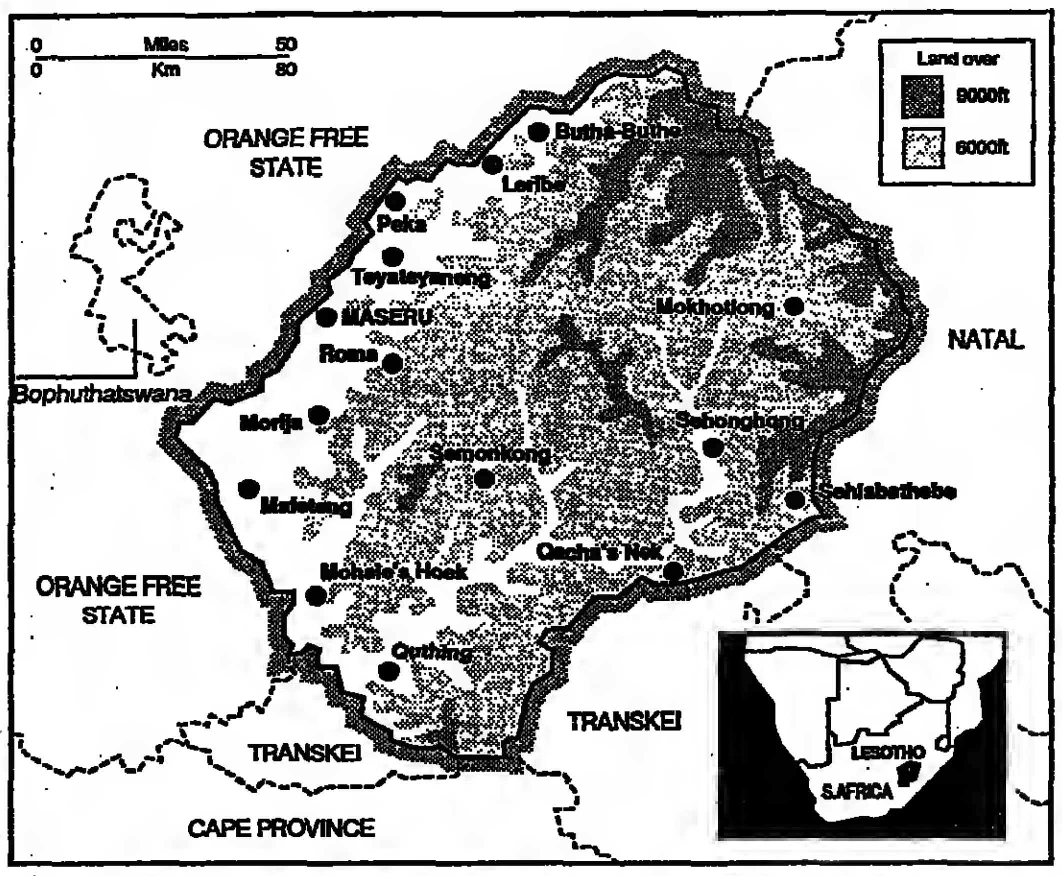
FINANCIAL TIMES SURVEY

Lesotho's economic and political fortunes are inextricably tied to South Africa. Its military rulers have therefore followed a policy of accommodation with Pretoria. **Julian Ozanne** reports on a country intensely wary of the consequences of upsetting its powerful neighbour

Royal rebel: King Moshoeshoe II, critical of links with Pretoria



LESOTHO

Constrained by too few options

MORE than any other nation in Africa, Lesotho is a country with limited options and severe economic constraints.

Completely surrounded by South Africa, heavily dependent on it and with few natural resources of its own, the politics and economy of this tiny mountain kingdom are inevitably linked with those of its gigantic neighbour. Pretoria, for its part, is never coy in reminding Lesotho of its dependence by occasionally flexing its economic and military muscle.

Land, labour and substantial amounts of exportable water form the only real resources of the country. But their development is tied to the South African economy.

More than half of Lesotho's labour force is employed in South African mines and the remittances from their income provide the economy with a vital source of foreign exchange. The M714m (£172m) of labour income remitted last year represents the sizeable difference between GDP and GNP and plugged an enormous current account deficit. If Basotho miners were ever denied access to employment in South Africa the burden on the economy would be intolerable.

The ambitious $2bn Lesotho Highlands Water Project, which is under way, will provide Lesotho with substantial revenues from the sale of water to its neighbour. But the economic impact of this scheme will depend on South African industry's demand for water and on relations between the two countries.

Exploitation of land is also susceptible to developments next door. The Basotho farmers, with their small plots of poor land, find it difficult to compete with the heavily subsidised commercial farms and sophisticated marketing of South African agriculture.

If that was not enough Lesotho is also a member of the Common Monetary Area and the Southern African Customs Union. Under the CMA the Lesotho loti is pegged at par to the South African rand. More than 95 per cent of its imports come from South Africa.

Lesotho is thus extremely sensitive to the recent fluctuations of the South African economy: the downturn in economic growth, the impact of trade sanctions and the rapidly depreciating rand with its impact on external debt repayments and the rising cost of imports.

Such economic dependence has presented the military government of Major General Metsing Lekhanya with formidable challenges since it came to power in a coup in 1986. But Mr Lekhanya is also acutely aware of the political implications of Lesotho's precarious economic position.

The coup which brought the military to power was prompted by a South African border blockade, which sealed off road and rail traffic into Lesotho. The border squeeze marked the culmination of a protracted policy of military and economic destabilisation aimed at unseating the government of former prime minister Chief Leabua Jonathan, viewed by South Africa as a threat to its strategic defence interests in the region.

Throughout the 1980s Chief Jonathan tested the limits of Lesotho's sovereignty, pursuing an independent foreign policy aligning the country with South Africa's banned African National Congress and the East Bloc, while human rights abuses mounted at home.

Mr Lekhanya has followed a path of accommodation with South Africa, increasing military co-operation, deporting ANC members, and granting Pretoria a semi-diplomatic presence in Maseru in the shape of a trade mission.

The prime development focus is job creation. The population is growing at 2.6 per cent a year; the domestic formal sector is currently unable to absorb more than 10 per cent of the annual increase in the labour force. Arable land is in declining supply and unemployment is estimated between 35 per cent and 50 per cent.

Good relations with South Africa are seen by the military as essential to guarantee access by Lesotho's surplus labour to employment in South Africa's mines. But it is unlikely that the opportunities for migrant workers will grow given the increasingly capital intensive production methods in the mines, and the growth of South African unemployment.

Little progress seems to have been made by the government to promote the informal sector. Vocational training has been stepped up but so far the government has lagged behind other African countries.

Much better results have been recorded in the manufacturing sector, which has grown by an average 12 per cent in the five years to 1988 and now accounts for 10.2 per cent of GDP.

The credit for this impressive performance rests largely with the Lesotho National Development Corporation, a semi-autonomous state-owned company, which has been successful in promoting agro-industries and attracting foreign investors for manufacturing for export.

As attractive and competitive incentives package has been successfully sold by LNDC to foreign companies. In 1987 alone 24 new companies were established with a capital investment of M24m, mostly in the textiles and clothing apparel subsector.

Although figures are unavailable several thousand new jobs are believed to have been created in the past three years and more than M200m worth of new projects are under consideration. The rapid expansion of manufactured exports, from M18m in 1986 to M81m in 1988, is also set to soften the trade deficit, estimated at M954m last year.

But there are concerns that too much of this new influx of investment in concentrated in textile operations which are highly mobile and sensitive to labour policies. Many of the companies are relocating to Lesotho from South Africa to escape trade sanctions, and could easily move back if the international anti-South African climate cools down.

The government is also pinning much of its economic and job creation hopes on the Lesotho Highlands Water Project, which will be constructed over 30 years. The project will offer Lesotho a snbstantial windfall in water royalties from South Africa and savings from electricity imports through the construction of a hydro-power plant on the back of the project. This will significantly improve the long-term external and fiscal positions. But most of the skilled labour will be imported and the promises of spin-offs, in construction and tourism, remain in dispute.

Like most African nations, Lesotho remains largely an agricultural economy. Between 60 per cent and 70 per cent of households are employed in the sector. In the absence of urban or migrant employment more jobs will have to be created in the rural areas.

But Lesotho's agriculture has been in severe decline for most of the 1980s as a result of repetitive drought and poor policies. Positive steps have been made in the past two years to reverse this trend. They include policies to improve production through expansion of irrigation and improvements in marketing and crop diversification, particularly in the development of labour intensive high value crops for export, like asparagus.

Less headway has been made on essential reform of land tenure policy, commercialisation and privatisation of agriculture and efforts to curb the serious over-grazing of the land.

Developments in the manufacturing, construction and agricultural sectors have yielded results. Last year GDP grew at 11.9 per cent.

But that impressive growth is threatened by financial mismanagement and weak fiscal control. After mnch heated cabinet debate in 1988 Lesotho entered into a structural adjustment programme backed by the International Monetary Fund. In the first year of the programme all the targets agreed with the Fund for government wages, the budget deficit, credit expansion and non-concessional external borrowing were breached.

The inability of the Ministry of Finance to control unbudgeted spending, particularly on the military, may be a product of Lesotho's unique government structure with its division of power.

In theory legislative and executive power is vested in King Moshoeshoe II who acts on the advice of the Military Council and a civilian Council of Ministers. Although he is not technically head of government, Major General Lekhanya derives his power by virtue of being chairman of the five-man military council, which shadows every ministry.

But in practice Mr Lekhanya has increasingly seized the reins of power, creating tension between the general and the King, an urbane and highly educated man with progressive views on economic development, and a strong distaste for military rule, corruption and the government's identification with Pretoria.

In the meantime political stability has been sbaken recently by revelations at an inquest that Mr Lekhanya killed a 20-year-old student last year. This has intensified pressures within the military and civilian councils for his resignation. With such an uncertain political environment, sensible economic policies, backed by serious commitment, are difficult to implement.

But progress in the past two years in industrial growth and agricultural restructuring has shown that despite Lesotho's limited options, dependence on South Africa and foreign aid need not be an excuse for ignoring the nation's economic potential.

KEY FACTS

Area: 11,720 sq miles
Population: 1.66m
Population growth rate: 2.6%
Head of State: King Moshoeshoe II
Head of Government: Major General Justinus Metsing Lekhanya
GDP current prices: M970m; constant 1980 prices: M372.7m
GNP current prices: M1.67bn; constant 1980 prices: M610.6m
GDP per capita current prices: M584; constant 1980 prices: M225
GNP per capita current prices: M1,008 constant 1980 prices: M368
Real GDP growth rate: 11.9%
Currency: 100 lisente = 1 loti
Exchange rate: $1 = M2.74; £1 = M4.41 (Sept 89)
Main exports: clothing M49.3m; footwear M21.8m; wool M19m; cereals M9m; animal feed M7.5m
(All figures are for calender 1988)

Kingdom of Lesotho

Major-General J. M. Lekhanya, Chairman Military Council and Chairman of the Council of Ministers.

H.M. King Moshoeshoe II.

23 YEARS OF INDEPENDENCE

"A policy of 'The Basotho and Lesotho First' is essential and fundamental to the future of this nation and this country. It challenges the planner, farmer, trader, banker, investor, all of us, to be proud of our oneness. The Mosotho of old advised unity so that no person or small group could become affluent when all others are impoverished, no small group should control the economy while others remain poor."

His Majesty King Moshoeshoe II, 12th March, 1987.

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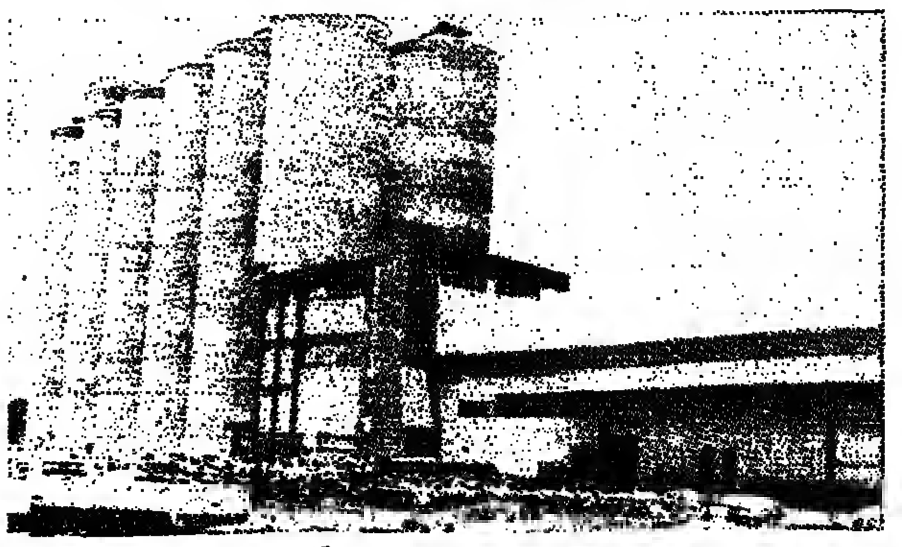
- establishment of resource based industries.
- increased participation of the people in the development process.

1989 — YEAR OF SELF RELIANCE

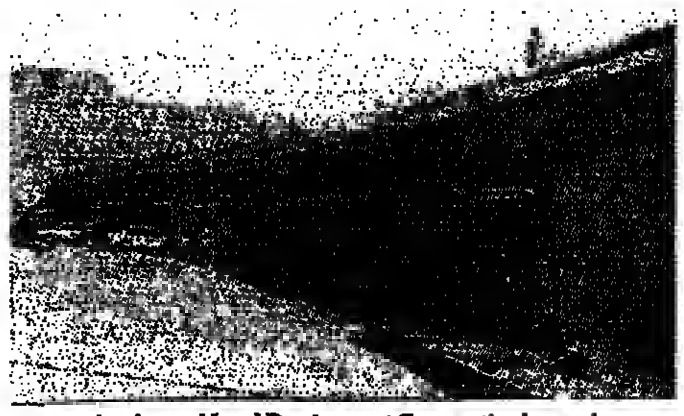
New Lesotho Central Bank Building.

Umbrella factory, Maputsoe.

Highlands water project: Soil testing on Katse Dam site.



Lesotho Flour Mills.



Lesotho Housing and Land Development Corporation houses in Maseru.

For further information about Lesotho, write to The Director of Information, Lesotho Government, P.O. Box 353 Maseru, Lesotho or Fax (09266) 310003.

Julian Ozanne on how economic mismanagement is costing the authorities dear

A desperate search for a panacea

DESPITE an impressive growth performance last year Lesotho's economy is under strain as a result of economic mismanagemsnt and fiscal indiscipline.

Throughout the early 1980s Lesotho's economy was plagued by sharp fluctuations in the growth of real gross domestic product, rising fiscal deficits, worsening current account deficits and declining foreign exchange reserves.

In 1988 the government embarked on a three year programme of reform, backed by an International Monetary Fund Structural Adjustment Facility worth SDR9m.

In the first fiscal year of the programme, (April 1988-March 1989), the government either overshot, or simply ignored all the targets agreed with the Fund for government wages, current expenditure, domestic credit, the budget deficit and non-concessional external borrowing.

"Unfortunately, on the basis of the available information, all of the benchmarks bave been breached and the goal of good economic and financial management seems to be further away," an *IMF* report says.

The most serious slippege last year was the budget deficit.

The most serious slippage last year was the budget deficit

The government agreed to reduce the deficit from M160m to M95m, or 11 per cent of *GDP*. But in fact the deficit actually increased to M180m, or more than 17 per cent of *gross domestic product*.

This happened at a time when revenues were buoyant. Receipts from the South African Customs Union increased from M155m to M196m, sales tax and income tax receipts were also up.

On the expenditure front the government implemented an average wage increase of 40 per cent for public sector employees, wey above the agreed target of 23 per cent.

As a result of the large budget deficit the government drew heavily on domestic bank

'All of the benchmarks have been breached and the goal of good economic management seems to be further away'

financing. Total stock of government domestic debt grew more than 50 per cent from M209m in 1987 to M318m, restricting the availability of credit to the private sector and seriously overshooting the agreed credit ceilings by nearly 20 per cent.

According to figures from the central bank last year's overall balance of payments position showed a slight improvement as a result of a rapid increase in exports, migrant labour remittances and substantial capital inflows. Bnt this masks a continuous deterioration in foreign exchange reserves, import coverage and a worsening of *Lesotho's external current* account deficit. Performance would have been better but for the overrun on the fiscal deficit and the substantial expansion of domestic credit.

In addition the government broke its promise that it would *incur no new non-concessional* external borrowing outside the Lesotho Highlands Water Project.

More than M40m of commercial loans were contracted for non-essential expenditure like the purchase of embassy residsnces abroad, irrigation equipment and aircraft.

Mr Evaristus Sekhonyana, Minister of Finance, blames last year's poor performance on expenditure commitments incurred by the previous government and the lack of political commitment to the programme.

"We were a bit unrealistic. We needed the first year to gestate the whole programme and make sure the necessary political commitment and psychological climate were put in place. But admittedly implementation was a disaster," he said.

Critics say that financial management in the ministry is almost non-existent. Last year's budget was pnblished four months after the start of the fiscal year and the ministry

There has been some success in attracting foreign investment

seemed unable to control capital expenditure by other ministries.

Lack of proper debt scrutiny meant that the government often repayed its debts late at penal interest rates.

Despite this record of financial *mismanagement real GDP* grew by 11.9 per cent last year, marking e significant improvement in living standards for a population growing at 2.6 per cent a year.

The growth performance reflected favourable weather conditions for agriculture, and booming manufacturing and construction activities.

The government says the programme is on track this year. A freeze has been announced on civil service recruitment and pay levels, subsidies removed from public utilities and agriculture and a Structural Adjustment Committee set up in the Ministry of Finance to control spending. Revennes, already high, are slated to rise through increased sales tax and cost recovery measures. However, Mr Sekhonyana already admits that this year's budget deficit is likely to be between M20m and M30m over the M68m target.

Bnt apart from the weak budgeted and planning capacity, the economy continues to be characterised by severe structural weaknesses including a rapidly declining agricultural base, heavy reliance on remittances and the absence of a diversified export base.

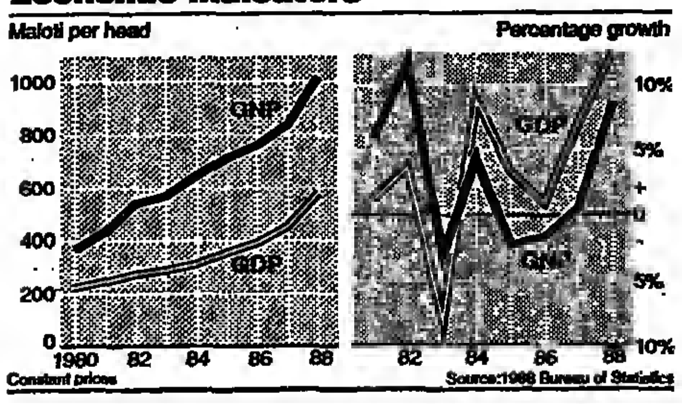
In agriculture some progress has been made to boost production *through expansion of irrigation*, improvements in marketing and crop diversification. Less headway has been made on commercialisation of agriculture, land tenure policy and curbing severe over-grazing.

The government has also recorded significant success in attracting *foreign investment* for manufacturing for export and job creation. However, there are concerns that many of the newcomers are concentrated in industries such as textiles which are mobile and have a high degree of import content in their operations.

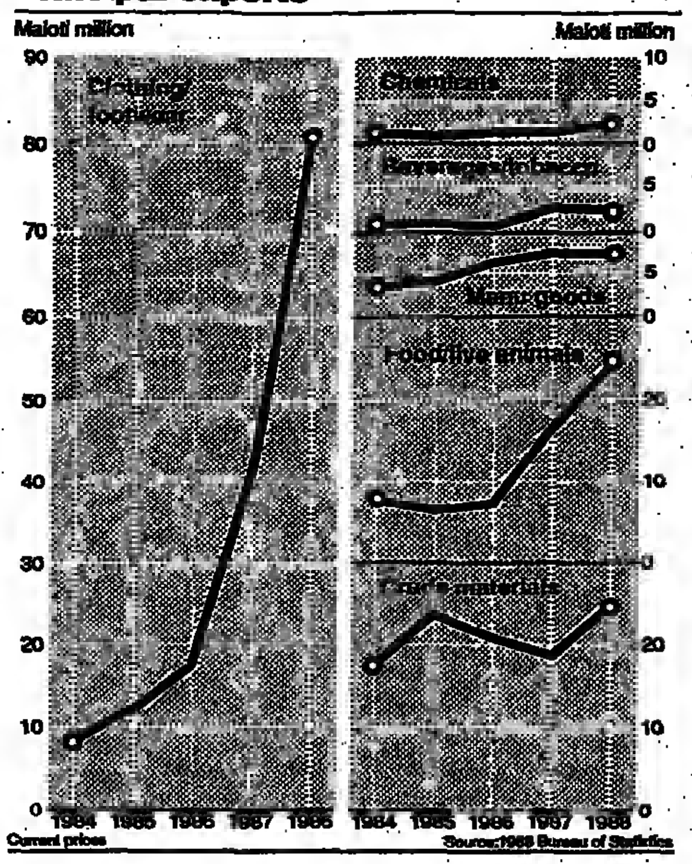
Import substitution is also being encouraged, successfully, for food items and activities related to the $2bn Lesotho Highlands Water Project such as building and construction materials and tourism.

The government is aware that although the LHWP will improve the fiscal and external positions over the next 50 years it will not be a panacea.

Economic indicators



Principal exports



Balance of Payments (Maloti million)

	1985	1986	1987	1988*
Exports	50.0	58.0	94.6	136.7
Imports	728.0	810.6	962.1	1,091.5
Visible trade deficit	-678.0	-752.6	-867.5	-954.8
Labour income	499.0	583.6	628.0	714.7
Other invisibles	10.0	-22.0	-24.9	-21.0
Transfers	168.8	150.5	141.1	148.6
Capital	65.5	37.7	79.7	116.1
Errors & omissions	-28.6	-7.5	25.2	0.0
Overall balance	37.6	-10.1	-18.3	3.7

*Provisional

Source: Central Bank annual report 1988

Lesotho's new central bank headquarters in the capital Maseru

POLITICS/FOREIGN AFFAIRS

In the shadow of Goliath

FOR 12 days in January 1986 South Africa, whose territory *completely surrounds Lesotho*, decided to bring this small nation to heel.

As relations between the two countries hit rock bottom on *Lesotho's support for refugees* of the outlawed African National Congress and the presence of East Bloc embassies, Pretoria started squeezing *its dependent neighbour*.

Trucks, laden with rotting fruits and vegetables, were backed up several miles as border officials carried out a go-*slow policy blockading road* and rail traffic into the small mountain kingdom.

In Maseru shops were drained of produce as panic buying broke out. Petrol rationing was introduced and there were widespread fears that ESCOM, South Africa's state-owned electricity corporation, would turn off the tap and close down Lesotho's sole source of power.

The blockade intensified political pressures within the country and provided an opportunity for the army to depose the regime of Chief Leabua Jonathan.

Although not a leader of the coup plot Major General Justinus Metsing Lekhanya flew immediately to Pretoria for secret talks and announced the establishment of a joint security committee between the two countries.

A batch of ANC refugees were quickly deported and the blockade lifted.

The ousting of Chief Jonathan was one of the greatest successes for Pretoria's policy of regional destabilisation. *Although originally backed by* South Africa, throughout the 1970s and early 1980s Chief Jonathan became of the biggest thorns in Pretoria's flesh.

In international fora, the Chief attacked apartheid and guaranteed Lesotho as a haven for ANC exiles. East Bloc countries, like North Korea and the Soviet Union were invited to open embassies in Maseru.

In response Pretoria gave support to the Lesotho Liberation Army which carried ont guerilla attacks inside the country, allegedly from bases across the border. The South African Defence Force (SADF) also carried out cross-border raids in Maseru in which several ANC supporters were murdered.

In the three years since the coup there has been a remarkable improvement in relations. Although the Soviet and Chinese embassies remain, their influence has been circumscribed.

The North Koreans were expelled in 1986 and the government re-established relations with South Korea.

Co-operation between the Royal Lesotho Defence Force and SADF has been stepped up through training and Pretoria's gift to Lesotho of a M2m *military hospital*.

Last year, during the visit of the Pope, the government called in the SADF commandos to deal with a bus hijacking which resulted in six people being killed in a shoot-out outside the British High Commission.

The ousting of Chief Jonathan was one of the greatest successes for Pretoria's policy of regional destabilisation

Economically the two countries have moved closer together with the signing, in 1986, of a bilateral treaty governing the sale of water by Lesotho to South Africa.

The culmination of this about turn in foreign policy was the opening, in 1987, of a South African Trade Mission in Maseru. Although it only has semi-diplomatic status the trade mission operates as a fully fledged embassy.

"The military government has promoted better relations and I can say there is no serious diversion of opinion between our *two countries*," said Mr Ghemus Geldenhuys, the head of the South Africa Trade Mission.

After three years of military rule the examples of Lesotho's independent foreign policy are few

Such a pragmatic view of Lesotho's position is endorsed strongly by the military, who have a monopoly on foreign policy making. Only two government portfolios, defence and foreign affairs, have no civilian minister. And Colonel Thabe Letsie, member of the military council and Foreign Minister, has guided relations under the maxim: "You can choose your friends bnt you can't choose your neighbours."

But critics say the military *are far too anxious to identify* with Pretoria and have sacrificed Lesotho's long tradition of independence.

"The only thing which has *traditionally distinguished* Lesotho, with its heavy economic dependence on South Africa, from a bantustan is its aggressive pursuit of an independent and *critical foreign* policy. It's increasingly difficult to see that distinction since the military took power," said one senior *academic*.

The view of Lesotho as a bantustan infuriates some civilian members of the government, particularly King Moshoeshoe II who has never hidden his opposition to apartheid. But his ability to shape policy under ths military remains unclear, particularly after his unexpected meeting with former Sonth African President P.W. Botha last year.

That meeting, and Lesotho's ambiguous position on sanctions, raised some eyebrows throughout the rest of Africa. However, with the recent spate of meetings between African leaders and South Africa's acting state president Mr F.W. de Klerk, dialogue with Pretoria is gaining credibility.

After three years of military rule the examples of Lesotho's independent foreign policy are few. The king continues to make ontspoken attacks on apartheid coupled with a veiled offer of a role in brokering a round-table conference.

And the government has resisted pressure to close the Soviet embassy, widely viewed as Moscow's listening post for developments in South Africa. But the military authorities have done everything possible to neutralise the Soviet presence, including rejecting Soviet university scholarships which formed the only assistence offered by Moscow to Lesotho.

A small country like Lesotho *embedded in the South African* Goliath has, by definition, limited foreign policy options. Everybody acknowledges that the country must tread a fine line accommodating Pretoria on the one hand while maintaining Lesotho's claims to being a sovereign nation on the other.

If Chief Jonathan clearly went too far down the road of defiance, the military may have gone too far down the road of compliance.

JO

Lesotho Highlands Development Authority

The Lesotho Highlands Water Project (LHWP) represents a golden opportunity for economic development afforded to the Kingdom of Lesotho since the country achieved independence in 1966. Over the thirty-year construction period of the project, it will provide an impressive range of lasting benefits to the country. The Hydropower component of the project (known as the 'Muela Hydropower Project) will make the country substantially self-sufficient in the generation of electricity, thus helping to reduce the present dependence on South Africa. The royalties accruing from the export of water, the massive infrastructure programme which is presently opening up hitherto inaccessible areas of the highlands, the employment opportunities and the extent of new investment in the economy caused by the project combine to provide substantial additional benefits.

In the three years since its creation in 1986, the Lesotho Highlands Development Authority (LHDA) has made excellent progress with the implementation of this large and complex project. The LHDA now directly employs 230 people through a careful mix of skilled and experienced Basotho and technical assistance personnel from a number of leading international firms. The design and preparation of tender documents for Phase IA has been completed. The major advanced infrastructure programme at a cost of almost $200 million, is now well under way, with the largest contracts already awarded. Comprehensive environmental and social studies have been undertaken and the extensive action programmes arising therefrom will ensure that the LHWP is one of the most environmentally sound projects of its kind yet undertaken. Approximately 2 000 people are presently employed on the project as a whole, and this is expected to grow to 6 500 once the major construction contracts are under way.

The LHDA has already secured the finance required for the design, planning and advanced infrastructure activities. Among the providers of finance is the World Bank which has played a key role in the implementation of the project since commencement of the feasibility study in the early 1980's and is expected to be a significant lender during the construction period. Other providers of finance include the European Economic Community (EEC), the European Investment Bank, UNDP and various bilateral sources including Britain, France, Germany and the United States. The strong international interest in the project is further reflected in the 88 firms from 22 countries grouped into 37 consortia who have formally registered their interest in tendering for the major water transfer construction contracts later this year. The Government of Lesotho will be seeking substantial amounts of concessionary finance from the donor community for the 'Muela Hydropower Project and the Rural Development component. The EEC and the African Development Bank are expected to be significant providers of finance for the 'Muela Hydropower Project, which was recently approved as a SADCC project. The EEC has agreed to act as co-ordinating donor for this component.

The LHDA reflects with satisfaction on its achievements in implementing the project to date. These achievements have laid a solid foundation for the future and the LHDA is confident that its efforts will result in the successful completion of the project to the benefit of the people of Lesotho.

FOR FURTHER INFORMATION WRITE TO:
CHIEF EXECUTIVE, PO Box 7332, Maseru. Telephone (09266) 311280. Telex 4523, LHDA Lo or Fax (09266) 310060. (3rd Floor, Lesotho Bank Tower, Kingsway, Maseru, Lesotho).

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MIGRANT LABOUR

Pretoria's pulling power

IN THE crisp early morning air hundreds of migrant Basotho miners returning home to Lesotho at the weekend begin queuing as they wait for the South African border to open. Many of them have travelled through the night by taxi and minibus from the gold mines in the Orange Free State and Transvaal to be at the border post when it opens at 6am.

Wrapped in colourful Basotho blankets and wooly hats and carrying sticks decorated with twisted electrical wire, they cross the narrow gauge railway bridge over the Caledon River and into Lesotho.

With them they bring toys, consumer goods and, most important, money, without which the economy would be hard pressed to survive.

More than any other country in the world Lesotho has the largest proportion of its labour force employed outside its borders and is most dependent on the incomes generated by migrants.

According to official figures published by the government, 121,000 Basotho migrant labourers went to work in the South African gold and coal mines in 1987. As much as 50,000 more are working, some of them illegally, in other forms of employment. This total figure of about 170,000 migrant labourers represents more than half of Lesotho's total male labour force.

The impact on Lesotho's economy has been devastating, particularly in agriculture which has been in decline since the early 1970s. But for many of Lesotho's young men who come onto the job market each year, presently estimated at about 10,000, there is simply no choice to working in South Africa.

Throughout the early 1980s industrial and commercial job creation averaged 1,000 a year. Although employment prospects look a bit brighter now with the rapid development of export-oriented industries and the Lesotho Highlands Water Project, it is widely recognised that migrancy will be a permanent feature of the economy well into the next century.

For the ordinary Basotho labourer, starved of job possibilities and access to the diminishing supply of arable land, the monetary incentives to cross the border are significant. A Basotho miner can earn as much as eight to 10 times the average rural wage in the mines.

For the economy remittances are vital. In 1988 remittances amounted to more than M712m, representing the difference between GDP and GNP. These remittances are the principal element in financing Lesotho's huge trade deficit, estimated last year at M954m. They are also central to the income of up to 60 per cent of families and are used by the government to finance development through the Defered Pay Fund, undar which 60 per cent of a miner's cash income must be remitted directly to the Lesotho Bank and held until he completes his contract.

But a constant question mark hangs over the future of Basotho migrant labour as South Africa seeks to solve its own unemployment problem.

However, according to Mr Neil Rae, manager of the Lesotho branch of The Employment Bureau of Africa which does most of the mine recruitment, there are no signs of this at the moment. Besides, he says, the South African Chamber of Mines favours the Basotho miners because of their experience and skill.

JO

TOURISM

Unexploited attractions

AT OXBOW, deep in Lesotho's breathtaking Maluti mountains, a broken down, disused ski-lift stands as a sad statement of the kingdom's tourism industry.

Promoted as the "Switzerland of Africa", the country has a natural wealth of tourist attractions: spectacular, rugged mountains covered in a thick blanket of snow for most of the European summer, dramatic waterfalls and fast flowing rivers, excellent trout fishing, bushman rock paintings and fossilised dinosaur footprints and trekking by Basotho pony, the traditional mode of transport for many of the people.

But the tourist industry remains largely undeveloped, constrained by a shortage of finance and the difficulties of marketing the country in the face of stiff competition within Africa.

Traditionally Lesotho's tourist pull was based on the multi-racial nightclubs, casinos, slot machines and cinemas in Maseru's plush hotels. Visitors from South Africa would pour across the border at the weekend to take part in experiences denied them at home.

That all changed with the development of the South African homelands. At Sun City, in Bophuthatswana, a whole complex of hotels, casinos, theatres and nightclubs has grown up offering South Africans better facilities without the inconvenience of travelling into a foreign country. A similar development is emerging 50 km down the road from Maseru at Thaba Nchu.

The big foreign hotel groups, like Hilton and Holiday Inn, pulled out of Lesotho in the early 1980s selling off their interests to Sun International, who promptly closed one of the two casinos. Rates of bed occupancy have plummetted to as low as 20-30 per cent.

This has forced Lesotho to re-evaluate its tourism policy and concentrate on developing the hitherto untapped potential in the interior.

But the country still depends on its neighbour for most of its visitors. Of the 215,000 people who visited Lesotho in 1987, more than 90 per cent came from South Africa.

Attempts to market the country in Europe and North America have made little progress. A modern international airport with an extended runway was completed in 1984 but long haul visitors are deterred by the high costs of travel and the limited product available.

Lesotho's tourist hopes are now riding on the development of the Highlands Water Project, which will open up the hitherto inaccessible interior with 100 km of paved road and also involve the upgrading and rehabilitation of existing roads.

This will radically improve access to the spectacular mountain areas and provide opportunities to develop water-based recreation facilities such as sailing, fishing, windsurfing and water-skiing.

If the government can bring imagination and foresight to its enormous untapped tourist potential the industry could yet play a big role in economic development and job creation.

JO

Lesotho Highlands Water Project

Maseru's 'white gold'

HIGH UP in Lesotho's spectacular Maluti Mountains, a multi-billion dollar project is taking shape which will change the economic face of the country over the next 50 years.

For centuries gushing streams and rivers, broken by formidable waterfalls, have cut their way through the dense basalt mountains and run unused through the inaccessible interior to the Atlantic Ocean.

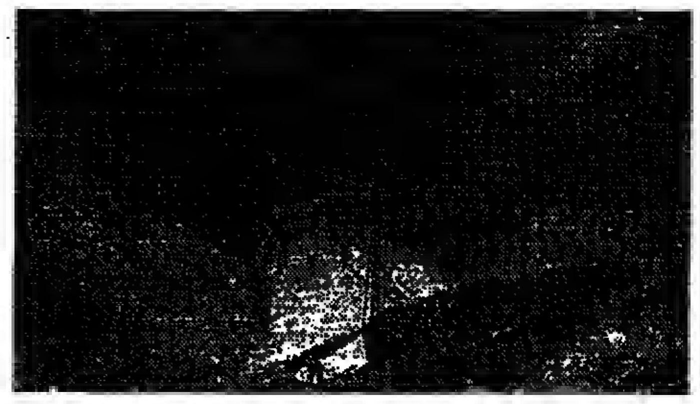
Now a scheme is under way to trap the abundant supply of water, divert it northwards and sell it to South Africa. For resource poor Lesotho the sale of its water, or "white gold" as it is being called, promises significant financial benefits.

When the Lesotho Highlands Water Project is completed in 2020, four dams will catch the water flow and reverse its southerly direction. Through a complex system of underground tunnels up to 70 cubic metres per second of water will be transferred to South Africa's Ash river and from there into the Vaal Dam 70 km south of Johannesburg. Without this water South Africa's thirsty industrial powerhouse, the Pretoria-Witwatersrand-Vereeniging triangle, will lack the resources to sustain its growth.

Work is already under way. A South African construction company, Ita, and French company Dumez are cutting a M150m access road through the mountains which will link the first dam to the South African border by tarmac. By November next year tankers and trucks will be able to travel smoothly to the dam site at Katse, previously accessible only by four-wheel drive vehicles and by pony, Lesotho's traditional mode of mountain transport.

At Katse, 2.5 km below the confluence of two rivers, where the Malibamatso river has cut a deep valley through the mountains, engineers are completing the site preparation for the construction of a 180 metre high, 500m wide concrete dam which will have a capacity of 1,950m litres of water. The Katse Dam will be the biggest in sub-Saharan Africa.

Tender documents for the first phase of the LHWP – the construction of the Katse Dam, a 48 km transfer tunnel and a 37 km delivery tunnel, worth M1.5bn (£338m) – will be issued on October 16 and awarded in 1990. Thirty seven consortia representing 88 companies from 22 countries have already registered their interest in tendering for these contracts. Several British companies, including Mowlem, Tarmac and Stirling International, are among the members of the consortia.



Water power: site of Katse dam, the biggest in the region

The Katse Dam is slated for completion by late 1995 when the first drop of water will be transferred to South Africa. Three more downstream dams and two more transfer tunnels will follow over the next 25 years. In the meantime a separate hydro-power scheme will be built onto the transfer project. According to the project's managers this will represent one of the greatest potential benefits to Lesotho.

At the moment Lesotho is more than 90 per cent dependent on South Africa for its electricity needs. Every year the country pays about M20m to Pretoria for energy imports. Tha hydro-power scheme, which will go to tender in 1992, will enable Lesotho to become virtually self-sufficient in electric power when the turbines at the Moela hydro-power station, 45 km north of Katse, start delivering 70MW of power into the newly-built power lines. This will rise to a maximum of 100MW when the project is completed.

The Lesotho Highlands Development Authority, a semi-autonomous state corporation responsible for overseeing the projects and raising the finance, argues that the hydropower component is a spin-off benefit of the transfer element which will help with balance of payments difficulties and encourage light industrial development. Without the main project Lesotho could not afford to build its own hydropower scheme.

The LHDA says that during the 30-year construction period thousands of jobs will be created both directly in construction and engineering and indirectly through the expected boost to tourism, fishing and irrigated agriculture. The infrastructure development will also contribute to Lesotho's long-term development.

In addition Lesotho will earn between M50m and M100m per annum in royalties when the project is operational from the water tranefer component, which may eventually provide as much as 6 per cent of GDP. These amounts, which will be the largest single contribution to government revenue, will be protected from cost overruns during construction and from inflationary pressures and will represent pure profit.

The LHDA says that the way the project is being financed will be of direct benefit to Lesotho. The LHDA is responsible for raising all the finance for tha project which will come from the World Bank, bilateral donors, export credit agencies and commercial banks. But under a treaty signed in 1986 South Africa has assumed full responsibility for the costs, including debt service in any currency of that part of the project relating to water transfer.

It will change the economic face of the country over the next 50 years

Lesotho will bear responsibility for the hydroelectric power scheme which will be financed mostly by concessional aid money.

The LHDA has adopted a contractor-driven finance strategy which will favour contractors who submit attractive financing packages with a high proportion of off-shore currencies. Similarly, consortia who ask for a large proportion of payment in rand will he favoured. This is aimed at reducing the burden oo the Rand Monetary Area balance of payments, of which Lesotho is a member.

Pretoria's involvement as sole customer and main debtor, albeit indirectly, has caused some problems. The scheme will allow South Africa, barred from the world's capital markets since 1985, indirect access to foreign capital.

To off-set this Standard Chartered Merchant Bank, the financial advisers to the project, have constructed a complex financial structure. A trust fund will be established in the UK which will receive debt service payments and pay them to all lenders on a *pari passu* basis. The World Bank, which will give $110m to the project, will rank on an equal footing with all other off-shore lenders.

This has had the effect of making the project more palatable to international financiers. However, the benefits that will accrue to South Africa has caused some concern. Critics argue that Lesotho is helping with sanctions busting. But the LHDA denies the charge and points to the substantial benefits for Lesotho's long term development and reduced dependence on South Africa.

"This water naturally finds its way into South Africa and there is no way of stopping it. They could get it for free. But now they are going to pay us for it and we are going to get a lot of spin-off projects which will help us achieve economic independence," says Mr Sole, chief executive of the LHDA.

For Pretoria the LHWP represents a key element in the strategy of emphasising the economic inter-dependence of the region and the benefits of mutually advantageous co-operation. This is in direct opposition to the strategy pursued by the Southern African Development Co-ordination Conference, of which Lesotho is a member, which stresses reducing economic ties with South Africa.

In a critical paper on the project Professor Patrick McAuslan, an international expert on Public Law at the London School of Economics says: "The whole object and purpose of the [1986] treaty . . . is to remove the effective control over much of its water resources and replace that national control with an international legal regime of joint control."

Some members of the Lesotho government are also concerned that many of the benefits will flow either overseas or over the border. Many of the jobs already awarded for the infrastructure development have gone to non-Basotho workers and even food produce is being imported from South Africa rather than bought from local farmars. This has provoked conflict between the South African contractors building the access road and local villagers and herd boys.

In addition there are worries about the environmental impact of the dams and the compensation payable to farmers who will lose their land and their sole source of livelihood.

The LHDA brushes aside these concerns and says it is planning to guard against the costs of the project. Naturally it stresses the enormous economic potential for Lesotho in the long-term. For many Basotho, who are already feeling the costs in terms of loss of land, this optimism remains a matter of hope rather than an article of faith.

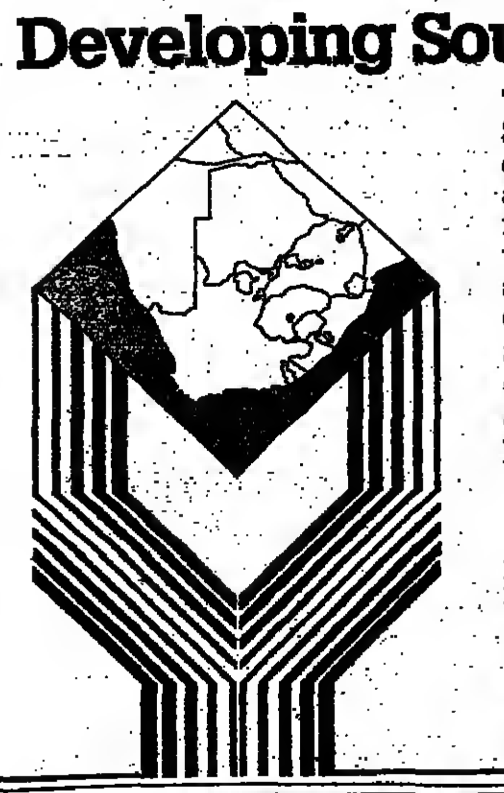
JO

Metsi Ke Bophelo

in Sesotho means 'water is life'

For this reason the Development Bank of Southern Africa has financed £63 million and is considering applications of £82 million in respect of advance infrastructure, institutional development and financial planning projects related to the Lesotho Highlands Water Scheme.

Developing Southern Africa



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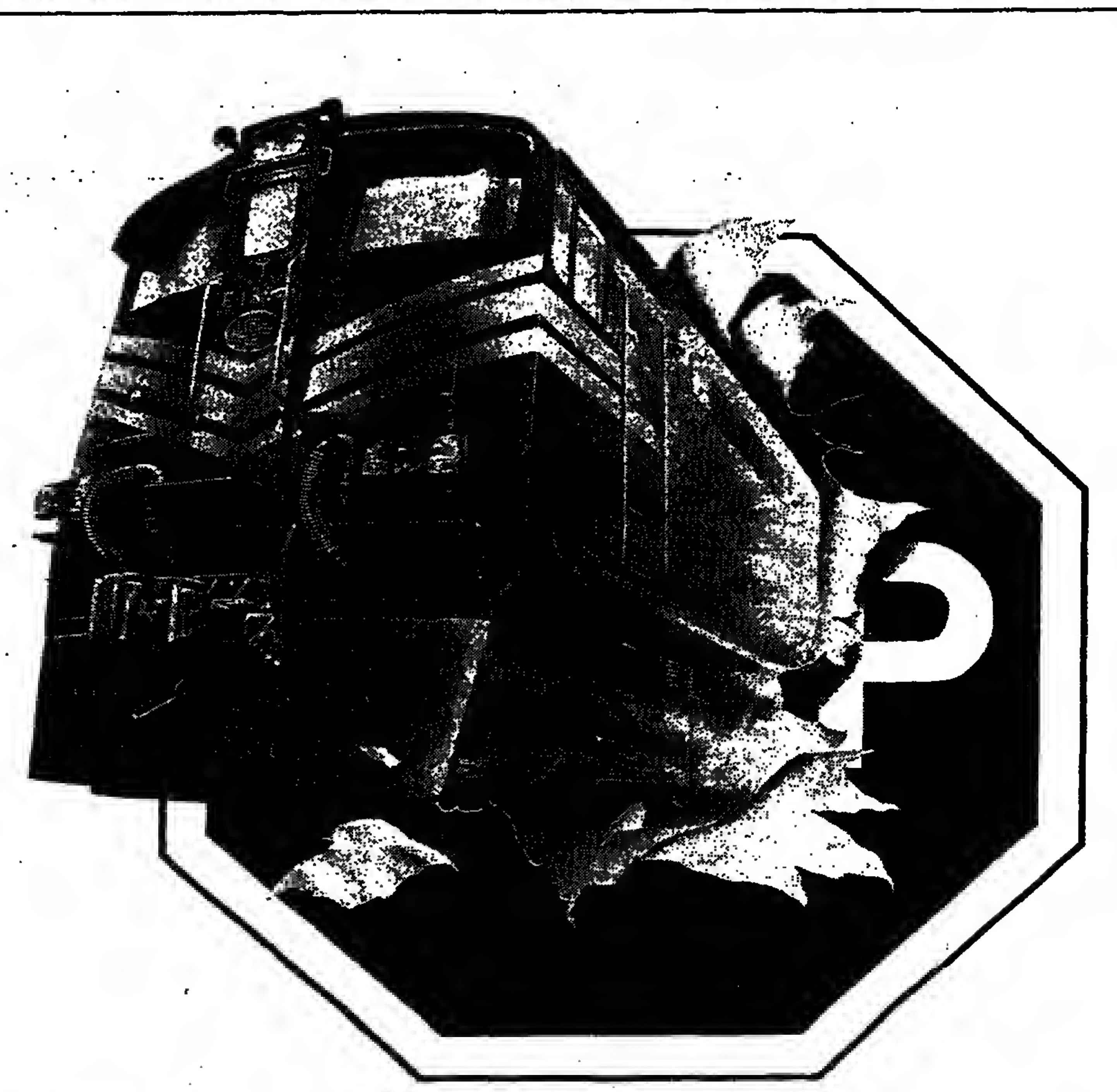

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Farmers are paying the price for years of inefficient land policies

The cost of mismanagement

AS THE twin-engine plane dips down low across the murky Caledon river, marking the border between Lesotho and South Africa, the neatly ploughed, fertile commercial farms of the Orange Free State quickly give way to smell, patchy fields of weather beaten crops dotted between rugged mountains and huge eroded gulleys.

Nothing demonstrates more powerfully the rapid decline of Lesotho's agriculture than the extensive soil erosion throughout the country which has left gaping scars in the landscape and degraded the already short-supply of arable land.

Years of over-grazing, inefficient land use policies, hostile weather, deforestation and poor farming practices bave taken their toll on the agricultural sector which once provided the country with its food needs.

As a proportion of gross domestic product, in current prices, agriculture has plummetted from around 50 per cent in the early 1970s to 21 per cent in 1984 and an estimated 16 per cent in 1988. Over the past decade yields per hectare have been more than halved for Lesotho's three main staples: maize, sorghum and wheat.

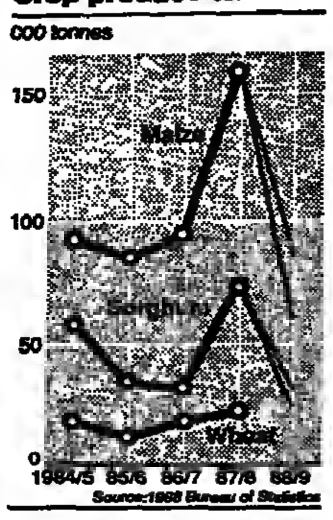
The impact of this has been to turn Lesotho, once self-sufficient in food crops, into a large importer of maize and wheat. In normal years the food deficit has averaged between 25 per cent and 40 per cent but, as a result of recurrent drought throughout the 1980s, that deficit has often reached 60 per cent.

But the sector continues to play a key role in the domestic economy providing income and employment to between 60 per cent and 70 per cent of all households and making a sizeable contribution, about 40 per cent, to merchandise exports.

In its five-year development plan (1986-87/1990-91) the government announced plans to significantly boost production of maize and wheat, increase irrigated land, develop borticultural production for import substitution and export and control overstocking and overgrazing by the large, bnt unproductive, livestock sector.

Some progress has been made. A bumper crop of maize, sorghum and wheat was recorded in 1987-88 as a result of good weather and improved

Crop production



crop management techniques. But these gains were undercut last year when an outbreak of cutworm and incessant rains kept farmers from their land and had a serious effect on crops. Production of maize is expected to fall from 159,000 tonnes in 1987-88 to between 60,000 and 85,000 last year.

The constraints on the agricultural sector are severe. Only 10 per cent of the total land area is cultivable and much of that is of declining quality as a result of soil erosion, overgrazing and poor farming practices. And about half of Lesotho's male workforce have sought employment in the mines in South Africa, where they can earn as much as 10 times the average rural wage.

It is widely recognised by the government that reform of the land tenure system and the introduction of grazing regulations are crucial. But both are politically sensitive issues.

Lesotho's system of land tenure, under which land is owned collectively and alloted to individuals with grazing land remaining communal, bestows land npon farmers with traditional user rights rather than those with the best farming skills. It provides little security for land improvement and has inhibited the provision of credit against land.

The government is looking at ways to allow individuals to establish title to land and formalise the existing practices of land-leasing and share cropping. But there are deep-rooted concerns that such a policy could lead to an increase of landlessness, already estimated at 25 per cent.

The introduction of grazing fees has run into similar political sensitivities. The government concedes that the policy has sound objectives in terms of taxing those with the largest herds who are over-exploiting the resources, conserving the soil and pasture and making livestock farmers more productive. But in a country where cattle have cultural significance and farmers have traditionally had free access to grazing, opposition to snch a measure is widespread. There are also question marks about the feasibility of implementing such a system.

However, with a livestock population in excess of 3.5m cattle, sheep and goats and with some estimates that the rangeland is over-stocked by 300 per cent, destocking is obviously a priority and a significant constraint.

For the moment the government is hoping that voluntary schemes of grazing regulations, which are beginning to appear across the country, will take off and, with the development of marketing, selecting a culling programme will become more attractive.

Nothing demonstrates more powerfully the rapid decline of the agriculture sector than the extensive soil erosion which has degraded the already short-supply of arable land

A pioneering programme called "Conservation Farming with Increased Production" is also being introduced by the Ministry of Agriculture. It aims to show farmers how conservation techniqnes can boost yields through practices like multiple cropping, using contours productively by growing fodder, beans and legumes and adopting better seed, fertiliser and cultivation methods.

"The farmer mnst see the immediate benefits of conservation within a season. Only then will he think about improving and saving the land," said Dr Dan Phororo, Minister of Agriculture. Dr Phororo is also planning a radical re-orientation of his ministry to divest the government from its ownership of agro-based industries like the National Abattoir, Lesotho Flour Mills and Maloti Diary.

A significant part of this strategy will be to develop better private marketing infrastructure, particularly for perishable goods.

Marketing is constrained by the absence of market centres, transport and the inefficient operations of the abattoir and Co-op Lesotho, a parastatal responsible for the purchasing and reselling of a vast proportion of the principal crops.

This should yield results because unlike many African countries Lesotho has always maintained sound prodncer pricing policies based on import parity.

Agricultural exports, worth M49m last year, continue to be dominated by wool, mohair and cattle. But last year significant increases were recorded for exports of maize flour, animal feed, beer and canned asparagus.

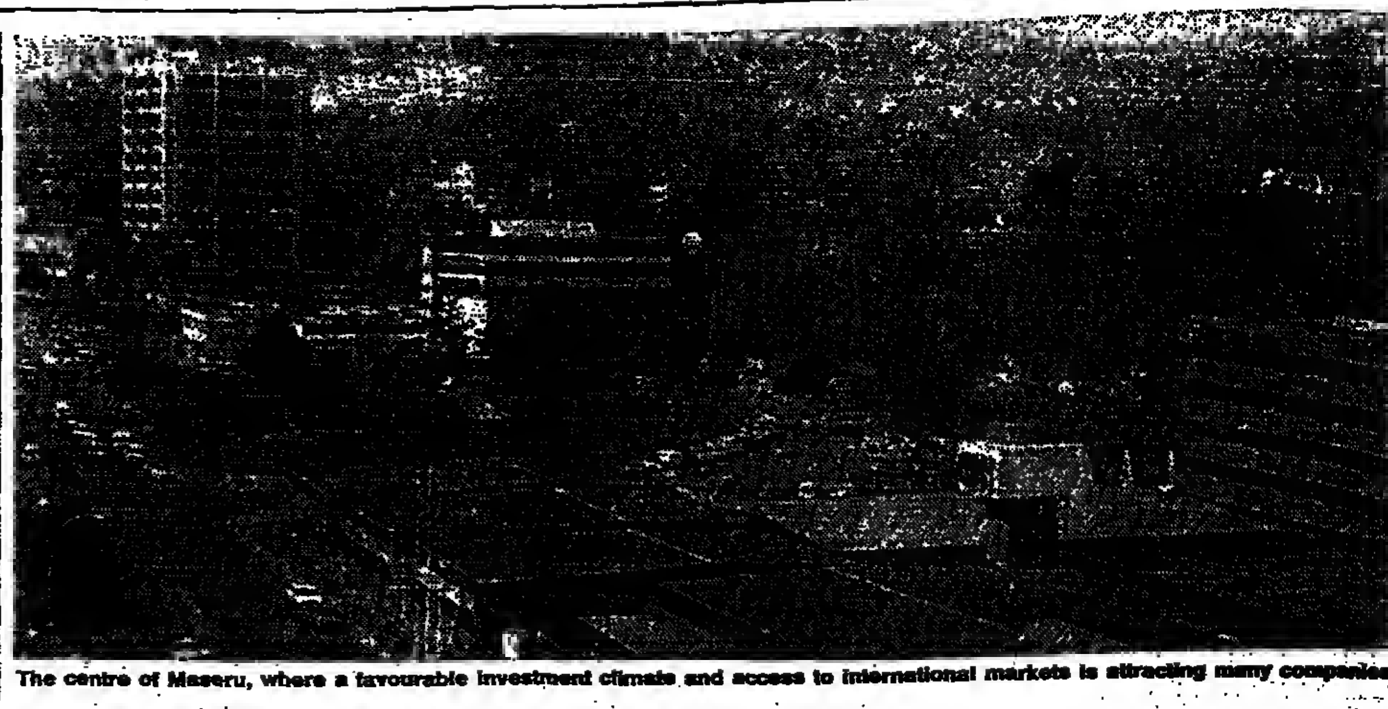
The development of asparagus production has been one of Lesotho's most successful agricultural initiatives. The crop, which needs a cold winter and is frost and hail resistant, is particularly suitable to the climate.

It is harvested during the middle of the European winter giving Lesotho a indisputable comparative advantage for marketing in West Germany, Belgium and France. Production, presently at 600 tonnes a year, is slated to increase to 2,500 tonnes by 1993 as more of the crop is exported as fresh produce.

High valne horticultural crops also have the benefit of being labour intensive. Bnt government plans to diversify into soft fruits and flowers may face stiff competition from countries like Kenya.

Hard headed thinking about exports and conservation by the government is being enthusiastically supported by international donors as Lesotho tries to overcome years of poor policy-making.

JO



The centre of Maseru, where a favourable investment climate and access to international markets is attracting many companies

FOREIGN INVESTMENT

Policy to please Big Business

IN THE past three years Lesotho's economy has been in a state of transformation brought on by a spate of new foreign investment in manufacturing of textiles, footwear and basic consumption goods for export.

Since 1986 more than 20 foreign companies, mostly in the textile industry, have started manufacturing operations at fully serviced industrial sites in the country. Several thousand jobs have been created and Lesotho's exports have almost tripled in valne from M58m in 1986 to M145m in 1988.

For companies that have relocated their businesses from Taiwan, Hong Kong and South Africa the overwhelming incentive to move to Lesotho has been access to international markets.

As a signatory to the Lomé Convention, Lesotho-made products are allowed duty-free entry to the lucrative European Community market of about 300m consnmers. Lesotho also has preferential access to the United States through the General System of Preference.

But apart from access to markets, an attractive and competitive investment climate has been developed by the Lesotho National Development Corporation, a state owned group. According to Mr Moletsane Monyake, managing director of LNDC, the investment package includes:

- an export financing facility to assist in alleviating cash flow problems in manufacturing for export;

Basotho women making umbrellas at an LNDC- supported plant

- an abundant supply of trainable labour at competitive prices;
- a 10-year tax holiday, extendable for up to 15 years;
- an advanced factory shell programme which offers serviced industrial buildings for immediate lease;
- a government sponsored skills training grant which covers up to 75 per cent of the wage bill during the training phase;
- access to concessional loans at 11-13 per cent interest;
- guarantee of foreign investments through Lesotho's membership of the Multilateral Investments Gnarantee Agency;
- ready access to foreign exchange and the repatriation of investment capital and earnings (profits and interest subject to 15 per cent and 10 per cent withholding tax respectively);
- general administrative backstopping by the LNDC which acts as a one-stop shop for potential investors.

As well as trying to attract foreign investors for export oriented and labour intensive manufacturing, LNDC also encourages business people to investigate economically viable import-substituting industries, particularly in building and construction and food processing.

On a continent infamous for nationalisation, price controls, delays in repatriation of dividends, and excessive red tape Lesotho's strong commitment to private foreign investment is impressive. But the competition, with countries like Mauritius and Botswana, is tough and some potential investors are scared off by the equity sharing arrangements with LNDC, the lack of skilled labour and Lesotho's determination not to let wages fall too low. In April this year the minimum wage was raised by 51 per cent to M190 per month for factory workers.

Lesotho's vulnerability to the fluctuations of the South African economy, particularly in its exchange rate (the loti is fixed at parity with the rand), problems obtaining work permits for expatriates and the bar on foreign ownership of land also deters some business people. But many of the companies who have relocated in Lesotho within the past two years have few reservations.

"Lesotho is on the march," said Mr Steven Kink of Morija Textiles, which relocated from Durban, South Africa, 18 months ago. "The government has the correct attitude to supporting industry and private enterprise and they are prepared to cut red tape."

JO

Profile: Lesotho National Development Corporation

An agent for radical change

WHEN the Lesotho National Development Corporation was established in 1967, one year after independence, there were four small-scale industrial enterprises employing 300 workers.

LNDC, a government-owned company, was charged with the responsibility of promoting, initiating and facilitating the establishment of manufacturing and processing industries, mining and commerce.

Over the years it has progressed from stimulating small-scale companies producing handicrafts to developing large-scale agro-industries like Maloti Mountain Brewery and Lesotho Milling Company. It now acts as a development finance institution promoting Lesotho as an attractive investment bet and acting as a catalytic agency by providing industrial estates, fully serviced factory shells, concessionary loan finance as well as equity participation in new ventures.

LNDC now promotes 51 companies employing in excess of 10,000 people in a number of sectors including textiles, engineering, brick-making, pharmaceuticals and agro-industries.

By the end of 1985-86 its investment portfolio of about M38m included M19m in fixed assets, M6.3m in equity in 13 wholly or majority-owned subsidiaries and M0.7m in minority participation in 10 associate companies. In 1986-87 it recorded a profit of M1m, which was ploughed back into its capital programme.

Throughout its existence LNDC has promoted private enterprise as being the cornerstone of its industrial development policy. Given the absence of local capital in recent years this strategy has concentrated on attracting foreign investment for export oriented mannfacturing and import substituting activities.

Remarkable success has been achieved over the past two years in the export field. Exports of miscellaneous manufactured goods rose from M18m in 1986 to M81m in 1988 as a result of a big influx of foreign investors, mostly in the textile sector.

Import substitution has been less sncessful but LNDC believes profitable economic opportunities will be created by the Lesotho Highlands Water Project, particularly in the production of building and construction materials such as cement, sandstone blocks, corrugated iron, windows and doors.

Throughout its existence LNDC has promoted private enterprise as being the cornerstone of its industrial development policy

LNCD is also stimulating import substituting industries in food items such as meat processing, production of eggs and milk related prodncts. More than 50 per cent of Lesotho's trade deficit, M954m last year, is made np of food items.

"LNDC is not only the Lesotho government agent for promoting the establishment of manufacturing industry but is absolutely pivotal to the government's macro-economic policy of reversing the historically chronic visible trade imbalance through an export led and import substitntion programme," said Mr Moletsane Monyake, managing director of LNDC.

The biggest constraint facing the corporation, he says, is the availability of readily accessible finance and the ability of Lesotho to attract investors in a competitive climate.

JO

Pan African Banking

Comes of Age

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For further information contact: *The Managing Director, Lesotho National Development Corporation, Private Bag A96, Maseru 100, Lesotho.*

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TELEVISION

Prix Italia: showcase for the élite

In the entire world there is probably not a more vivid example of what Rupert Murdoch thinks is wrong with broadcasting than the Prix Italia festival. Speaking last month at the Edinburgh Festival, Mr Murdoch complained that the definition of "quality" in British television is dictated by an unrepresentative élite, and that our television drama is concerned too much with the past and too little with the present. These "faults" are raised to international levels by the Prix Italia, and concentrated into two weeks of hectic viewing. Sure enough, many of the programmes do look back to the past . . . as did Shakespeare.

Since 1948 the Prix Italia has been held each year in a different centre of Italian culture – Venice, Florence, this year in Perugia – and it brings together the liberal intelligentsia of European broadcasting. In the beginning radio was the medium, then in the 1950s television was added, and today television predominates, though equal prize money, equal time, and equal care from the secretariat is still devoted to radio. Moreover, radio everywhere seems to have acquired a second wind recently.

At the Italia you see no sports programmes, no comedies, no news, no crime series, no light entertainment. At the Italia popularity is irrelevant and ratings meaningless. Programmes compete in three categories: drama, documentary and music. (This latter category is a historical anomaly, for television at least, arising from the event's origins in radio, and it should be changed to "arts" to permit a broader and richer selection of work.)

The people who make these programmes, and who attend the Italia to compete, to serve on the juries, and above all to talk, are highly educated and deeply cultured. Many of them speak several languages. Some hold academic posts in addition to their jobs in broadcasting. They have dedicated their lives to bringing to television the music of composers such as Bartók and Stravinsky, the drama of writers such as Ionesco and Pirandello, the poetry of Lorca and Eliot, the literary ideas of Joyce and Sartre, the ballet of Cranko and Ballanchine.

Japan's "Music Fantasy: Carmen:" without the Prix Italia to encourage high quality material, programmes such as this may well disappear

If Rupert Murdoch finds the liberal élite of British broadcasting effete, with tastes remote from the general public, what on earth would he think of the far more rarified ethos of the Italia? Having tastes myself which extend to Bilko as well as Bach, I find the outlook of some Italia habitués depressingly narrow. I also find their faith in their own ancient European cultures desperately weak: like religious fundamentalists they seem convinced that the values they represent can only be maintained by government diktat. This year they have been remarking gloomily that we are watching the remnants of Europe's public service broadcasting systems, and that soon they will disappear entirely unless programme quotas are imposed – as though you could ever legislate for public taste.

It begins to seem as though I must be on Mr Murdoch's side. I believe that viewers should be allowed to watch whatever they want, from political extremism (left or right) to pornography. If the French want to watch *Dallas* rather than Racine I can see no reason for stopping them. How would the French feel if the US Congress imposed a "quota" to stop Americans reading Balzac and make them read Mark Twain?

Yet Mr Murdoch and I are actually poles apart. He apparently believes not only that the liberal intelligentsia dominates the old broadcasting organisations (which of course they do) but also that their tastes dominate the programmes (which of course they do not). True, they have been disproportionately influential in the past, but nobody who watches lots of television in Britain today, from *Emmerdale Farm* to *The Golden Girls*, from *The Bill* to *Bullseye*, could believe that the values of the Hampstead intellectual still dominate our screens. Mr Murdoch's complaint suggests that he sees very little British television except, perhaps, in America where they revel in all that fog-and-crinolines stuff, but show precious little contemporary British drama.

The danger today is not that ordinary viewers are going to be swamped in intellectually pretentious material and deprived of their soap operas, their sport, or their endless repeats of such modern dramas as *The Streets Of San Francisco* and *The Young Doctors* (of which Mr Murdoch is a keen supplier). On the contrary, the danger is that in the drive for de-regulation and the market economy, the small proportion of fairly high quality programmes and the even smaller number appealing to the Hampstead intellectual will disappear entirely – just as the melancholy members of the European broadcasting élite keep on warning.

It has not happened yet, but if you talk to Belgian and Dutch broadcasters, not to mention the Canadians, and discover how they are losing their audiences to programmes provided via cable and satellite from beyond their borders, you can see the reasons for their anxiety. That is one reason why the Prix Italia is so valuable: it is an unashamed attempt, indeed a proud one, to sustain and encourage material which is of high quality and intellectually demanding within a medium which tends always towards the maximisation of audiences.

The ideal must surely be programmes which are both high quality and popular, and British broadcasters claim this, justifiably on the whole, as their greatest strength, pointing to *Life On Earth*, *The World At War*, *Steptoe And Son*, *The South Bank Show*, and many more as examples. The trouble is that while theatre and cinema began as popular media much of which became more and more demanding as they developed, all the indications are that television works the other way round.

Thus the BBC began with Shakespeare and ballet and lectures about painting – the high culture for which Mr Murdoch seems to have such small regard – and expanded later into more popular programming. The world can offer few examples of the opposite process: producers of soap opera expanding into grand opera, or makers of game shows moving into serious documentaries.

Mr Murdoch's satellite operation has launched a respectable 24-hour news channel, and American cable television sustains several valuable services such as foreign language channels and C-Span with its fascinating coverage of government. But it is difficult to believe that a great many high quality drama, documentary or arts programmes are going to emerge from the new market-driven television services. Which is another reason for valuing the efforts of the Prix Italia.

Of course things do go wrong from time to time. This year one of the juries seemingly suffered a collective rush of blood, or perhaps perestroika, to the head and awarded the television drama prize to a tedious and stagey adaptation of Bulgakov's story *A Dog's Heart*. Shot in black and white and lasting 140 minutes, it was bereft of virtues other than those in the original novel. Bulgakov may once have deserved a literary prize for it, but judged as a piece of television this was one of the least impressive to be submitted to the Prix Italia in the past 16 years.

On the other hand, the television documentary prize went, justifiably enough, to the Danish entry, *The Quiet Killer*, written, produced and directed by Poul Martinsen, and telling of a Turkish blood feud carried on in Denmark. The "special" prize in this category was won by a splendidly sarcastic account of the cult of personality surrounding Kim Il Sung in North Korea. The producers made their point by continually reporting, straight-faced, the monotonous propaganda about "the great leader" dished out by the government machine, and the programme had a special frisson since it came from Poland. The television music prize was won by the BBC with *Duke Bluebeard's Castle*.

Nobody is ever going to top the ratings with Bulgakov, Bartók, or even a powerful exposé of communist brain washing. But if you believe in the trickle-down process and want to see high quality programmes of any description on your screen in future, it makes more sense to back the Prix Italia than to join Mr Murdoch's bandwagon.

Christopher Dunkley

Macbeth

GRAND OPERA HOUSE, YORK

York's Opera House was opened in 1902 by the Lord Mayor and christened with *Red Riding-Hood* starring Florrie Forde, a long way from the Bull and Bush but still worth making eyes at, as Prince Amoroso. Recently dedicated to Bingo, the theatre has been restored and reopened as a receiving house for touring shows. What may have been a side entrance next to the stage door in an unprepossessing brick façade (but near such Victorian glories as the York Institute), its foyer merely a narrow corridor at right angles to the bar, the theatre's exterior belies its sprucely pretty auditorium: white and gold for the boxes and deep, no-nonsense galleries, blue and gold for the proscenium and elaborate ceiling roundel.

Cocking a snook at superstition, the house opened last week with the Scottish play, no less: though it might be more aptly nicknamed the Kabuki play in this beautiful, meticulous and devoted production. Already glimpsed on *The Late Show*, Odyssey Theatre's touring version is grounded on Balinese dance, though costumes and general idiom seem familiar from Japanese cinema and theatre.

Helen Turner's design sets the action on a steeply raked platform on stage, flanked by tall tasselled parasols and gamelan band. For five minutes the company perform on mainly percussion instruments, gongs, cymbals and blocks prominent ("That's the orchestra," said a doubtful Yorkshire voice). The action is accompanied by music from onstage performers under composer Peter Thorogood's direction – not just for murder or battle but, very effectively, to heighten Lady Macbeth's tense musing on the grooms ("What hath made them drunk . . . ") and in wordless singing under the discussion of the night's horrific portents.

The production's main strengths are visual. Aided by Steve Whitson's brilliant lighting design, the simple background of long scrolls can glowingly throw figures into silhouette before revealing them in glaring light, or gleam red or blue. The witches wear combined body-stockings-cum-stocking masks, amoeba-like creatures creeping round the frozen and unseeing warrior whose destiny they have taken in hand. They are indeed earthly bubbles, erupting through smoking trap doors.

The Porter too pops up from the ground, masked and Caribbean ("Nark! Nark! Nark! Who's there?"). Otherwise the acting style is muted, as if the company's energies were devoted to graceful and stylised movement. The effect is puzzling, since the actors are capable of speaking the lines impeccably, but the words are here almost an adjunct to the physical performance, a consistent and slightly soothing element of all-round activity.

This is especially noticeable in Claire Benedict's Lady Macbeth who needs to project her attractive and potentially emotional voice a great deal more ("never shall sun that morrow see" was unsuitably casual). As the upwardly mobile thane the crop-haired Ian Halcrow faintly resembles Steven Berkoff but plays almost gently, though the burst of anger at the realisation that Duncan sleeps in the earth and nothing can touch him further underlines these characters' helplessness as victims of destiny, more overtly impotent than usual.

Good contributions from Rick Zoltowski's masked Duncan, Grant Thatcher's positive Malcolm and Phil Smeeton in a triple assignment. But the play is an ensemble production, in the full sense of each word. October finds Birnam Wood moving to Canterbury, Brighton, Ulverston and Powys; November Bury St Edmunds, Warwick, Blackpool and Glasgow's Tramway. London sees – and seeing is the operative word – the production early next year.

Martin Hoyle

Come for the Ride

GREENWICH THEATRE

As Henry James advised Ruth Draper, having woven her exquisite Persian rug, she had better stand on it. Patricia Routledge does not set out to be another Draper; but she knows her scope, her strengths and limitations, and exploits them so artfully that it is only after the resultant enchanted evening that we realise her territory is carefully marked out by affectionate observation, warm humour, nostalgia and wistfulness.

She could go much further. The second half of her one woman show (with excellent accompanist, the genial Chuck Mallett) begins with an excerpt from the Alan Bennett *Talking Heads* monologue for poison pen letter-writer, where both author and actress freeze hilarity into a grimace of awe at the ungainly pain of lonely lives. The chill silence that fell as a previously uproarious house held its breath left no doubt as to Miss Routledge's range when she chooses to exercise it.

She is statelier than of yore and, however roguish, maintains a certain black evening-gowned propriety as becomes a bishop's sister. The firm chin adds an authentic Edwardian touch to the "delicious bit of nonsense" from Lionel Monckton's *Our Miss Gibbs* – "I'm such a silly when the moon comes out." The show's autobiographical element takes in a pantomime audience song, "Peter's Pop Keeps a Lollipop Shop" by an unjustly anonymous author, besides principal boy reminiscences and a panto Fairy Queen whose *Walkürenritt* cries of "My only one care is: Where are my fairies?" provide the evening's sole Wagner.

"I Want to Sing in Opera" is the actress' tribute to music-hall but may embody a certain truth. Miss Routledge gives us the Grand Duchess' "Voici le sabre de mon père," here slightly drowned by comic business but immaculately phrased, to remind those lucky enough to have been there of her deliriously funny but impeccably musical Offenbach at the Camden Festival. She inflects a drawing-room ballad like "Roses of Picardy" with the tonal colours and verbal care of a lieder singer.

Lesser-known pleasures include Coward's "Bronxville Darby and Joan" ("We're a dear old couple and we hate one another; We've hated one another for a long, long time"); a sweetly nervous number for an auditioning actress by Julian Slade; and a peach of a song, "The Single Life," from an Arnold Bennett-based musical by, of all people, Jule Styne and Yip Harburg. Indeed we are generously regaled with Miss Routledge's American career – though she is too modest to point out that one Broadway critic called her "the funniest woman in the world."

She ends with her understandably famous version of Coward's "I've Been to a Marvellous Party" which should be studied by every comic actor for the way in which even the predictable and the familiar – and, heretically, the odd not quite dazzling pay-off line – is made to pack a punch. It's been a wonderful party all right; and goes on all week at Greenwich.

Martin Hoyle

Alastair Muir

Patricia Routledge

Marrakech

LYRIC STUDIO, HAMMERSMITH

It is four and a half years since the actor Graham Swannell uncorked a few tart playlets about adultery and attraction in this same studio. I missed his follow-up, described by a reliable colleague as "a sit-com *Huis Clos*," but this new, slight two-hander is neither hell nor other people.

Unemployed landscape gardener Walter Osborne (Gregory Floy) is penning his domestic exit. Like Shirley Valentine. Gone to Marrakech ("red-walled city on a wide plain" the brochures declare), cottage pie's in the freezer. Fed up with being a house-husband, he resents, as well he might, the inability of his sluttishly indolent doctor wife, Vivien Goddard (Morag Hood), to cook an egg. What is more, she won't clean, and she reads the foreign news pages in The Independent.

Off you go, my boy. But Swannell, his own director, has six short scenes to fill, so nobody goes anywhere. Very slowly. Worrying away at the root of this bantam-weight contest is the notion of both freedom and revulsion within a predictable relationship. Philippe Brandt's design of stripped and varnished floorboards, exquisitely covered sofa and the trendy kitchen within, summarises the domain perfectly. But who rules, and how to withdraw?.

The dilemma is written mostly from Walter's viewpoint. Vivien tugs at him with a bribe of pregnancy and the fact that, while he may have sold a short story to BBC Radio, she has had her article on head-lice translated into Turkish. Walter is a sports eddict, reads The Guardian and declares himself a guilt-free zone. Vivien takes pity on a man who, ultimately, will be reduced to watching indoor bowls on television, and tells him that she really is pregnant. No, not with a heby. With twins.

The selfishness of these 40-ish careerists has obliterated their ability to contemplate natural life. Giving birth, Vivien gathers, is "like having a top lip stretched over the back of your head." Walter shouts at incontinent dogs, moans ebout how you can't even double-park outside the flat these days.

I do not contest the seriousness of these issues. But Swannell has not progressed to the stage where they are unleashed with dramatic force. He remains merely a writer of promise with curiously nagging obsessions. The actors do him sturdily proud, Floy conveying e potent notion of a world elsewhere (as befits a Nottingham Playhouse Coriolanus) and Hood working minor miracles of inflection, elieion and self-explanatory justification.

Michael Coveney

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ARTS GUIDE

September 28-October 5

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 2428).

A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).

The Master Builder (Barbican). Magnificent RSC revival of Ibsen's late poetic drama of lies, deceptions and misrouted sensuality. John Wood is the first great Solness since Redgrave, then Olivier, played it in London. Adrian Noble directs, Richard Hudson's tilting roofs chart the aspirations and final dramatic plunge. (638 8891) Oct 6-10, 16-19, 25, 26, Nov 1, 2.

The Tempest (Barbican). John Wood's other great performance this season with the RSC is his Prospero in Nicholas Hytner's production, a towering, intemperate impresario whose magic is an instrument of both revenge and resolution. (638 8891) Oct 11, 12, Oct 20-24, Oct 30, 31.

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support. (867 1116)

Veterans Day (Haymarket). Imperfect Donald Freed nationalist paranoia play about three veterans gathered to bump off thePresident partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children'e poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be e durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-tims mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Laurie Anderson (Brooklyn Academy of Music): The performance artist opens the season's Next Wave Festival with her latest solo work, Empty Places. Ends Oct 15. (718 636 4100)

Washington

A Few Good Men (Eisenhower). One of the few nsw dramas headed for Broadway gets its permiere in Washington, in this story of a military cover-up. Ends Oct 29. (467 4600)

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Viola and percussion

ELIZABETH HALL

"Rendezvous – A Festival of Canadian Music" is under way all this week on South Bank. It is hosted by the Canadian High Commission cultural section, which tirelessly promotes the country's arts and artists in Britain. (Most music critics are familiar with the mass of leaflets and invitations that pour out of Canada House.) One wishes the example could be more widely copied.

But, as a festival event, Monday night's recital by the Israeli-born Canadian violist Rivka Golani was not very well planned. For one thing, it was insufficiently well-attended to merit the "festive" adjective; for another, the presentation was hopelessly skimpy – the leaflet gave ample biographical information on the violist and her two attendant percussionists, Bob Becker and Robin Engelman, but not the barest word of introduction to four of the five works or composers on the bill. Figures like Bruce Mather, Jean Papineau-Couture, and the US composer Michael Colgrass may be familiar to contemporary-music initiates, but are hardly household nemes; and Brian Cherney and Stephen Tittle are not even familiar to the initietes.

One began to wonder what the purpose of it all was, beyond simple shop-window display. If it was to indicate yet another aspect to Miss Golani's skills on the instrument (so far she is mainly known in this country as a concerto soloist), then succese was, after all, achieved. Alongside the Russian Yury Bashmet she stands at the head of today's supreme viola virtuosi – white-hot in delivery, kaleidoscopic in tone-colours, electrifying in rhythmic attack, an obvious inspiration to composers. Whether in the two solo-viola works or in the remaining three with percussion partnership, the ertistry was amazingly fiery, the commitment unwavering.

The pieces that eppeared to put her virtuosity to best use were *Gatinara* (title unexplained) by Mather, which mixes the viola's dusky tones with the luminous hues of a vibraphone and then a marimba to create a gentle, well-sustained impression of meditative rhapsody; and Colgrass's brilliantly-written Variations for viola and drums, which achieves a Britten-like variety of moods (martial, jazzy, pensive, toccata-ish) out of a small range of material. The world premiere for the occasion, Cherney's *Shekhinah* for viola solo, a kind of memorial for a concentration-camp victim, was affecting in parts, diffuse overall.

Max Loppert

FINANCIAL TIMES

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Wednesday October 4 1989

A snub for Gorbachev

WORKERS power has come to the First Workers' State, and it threatens to deepen the crisis. Since the Soviet leadership capitulated to the July miners' strikes in a deal which it took Mr Mikhail Gorbachev himself to bring to a conclusion, it has been an even bet that the spiral of strikes would gather speed and that a choice would have to be made between further capitulation and a clamp-down.

Mr Gorbachev chose a clamp-down – another sign, to add to his condemnation last week of cooperatives, that the crisis is forcing him on to the defensive, and has penetrated the relative radicalism which has been his hallmark. He told the Supreme Soviet on Monday that "We must avoid anarchy . . . these measures (a strike ban) are being taken to prevent the escalation of a process which, if unchecked, can affect everything we are doing."

But the Supreme Soviet has demurred – a good early sign of its independence. Working overnight on Monday, deputies thrashed out a decree which empowered the government only to take emergency and specific action: it also called for some days grace before troops take over the running of the railways in Azerbaijan, where a blockade has reduced supplies to neighbouring Armenia to a trickle.

Huge snub

The reasons for it doing so have been variously described. Mr Nikolai Ryzhkov, the Prime Minister, pointed to the confusion of the original ban with a shortly-to-be introduced law on strikes, which will ban stoppages on essential services, including railways; but Dr Leonid Abalkin, the deputy Prime Minister, said the deputies were frightened of the public's reaction. Whatever the reason may be, the Supreme Soviet has delivered a huge snub to its president while, as yet, offering no alternative ideas on how to end the chaos.

The conditions which gave rise to Mr Gorbachev's panicky ban are very serious. Strikes by miners and railway workers have reduced coal stockpiled at the power stations by 4.5m tonnes. The Azerbaijan strikes, aimed at forcing Moscow to return the Armenian-dominated enclave of Nagorno Karabakh to Azeri control, are estimated to be costing some Rbl30m a week.

In Moldavia, ethnic Russians have staged strikes – including railway strikes – against a language law passed by the Moldavian soviet which makes Moldavia, and its Roman script, the state language – in imitation of their blood brothers in Estonia. All over the country, workers and strike committees have been formed in the wake of the miners' protests, some in opposition to the official unions, some seeking to catch up with the miners, some (like the Moldavian Russians) to express fear of discrimination.

Third way

There is, however, a third way between capitulation and prohibition. The Soviet leadership can – must, sooner or later – obey the logic of its perestroika movement and devolve enough power to enable enterprise managers to deal with disputes on the ground. The new law on strikes, scheduled for debate in the current session of the Supreme Soviet, will be a paper reform if it does not cut the direct line between local grievances and the man in the Kremlin.

That, of course, will not be a quick fix nor will it immediately address the worsening situation in Azerbaijan and Armenia, where competing nationalisms demand a decision on the status of Nagorno Karabakh which is bound to inflame one side or the other. But the dangerous impasse in the Soviet economy is not amenable to any rapid solution. It can only be sweated out when the facts of life are brought home to managers and workers by demonstrations that Moscow cannot bail them out.

If the Supreme Soviet is to assert its independence from Mr Gorbachev's rule, it has a duty to find a less than temporary way of matching the forces which now threaten – the Soviet leader was right in this – to derail the fragile reforms so far made. "As much power as possible out of Moscow" should be its motto – whatever the effects on its own popularity.

Labour sheds its baggage

THE British Labour Party is in better shape than at any time in the past decade. This is a remarkable revival, of which the Government must take heed. Just two years ago the party appeared to be in terminal decline. It had lost to the Conservatives for the third time in a row. It was burdened with policies that evidently rendered it unelectable.

Many of its potential supporters had drifted away to the centre parties that had presented themselves as a united Alliance. The Labour leader, Mr Neil Kinnock, was widely regarded as ineffective. Mrs Margaret Thatcher, the Conservative Prime Minister, seemed invincible: at the very least she was set to complete some 14 years of uninterrupted tenancy of No 10 Downing Street. She herself spoke of going "on and on and on." The change since then must be seen in perspective. Mrs Thatcher's 1987 victory was so great that the odds remain strongly against Mr Kinnock. To win an overall majority he would have to persuade the electorate to swing more sharply against the Conservatives and in favour of Labour than it has in any national contest since 1945. Although this remains highly unlikely, it no longer looks impossible.

The Labour Party has already demonstrated a strong sense of unity at this week's annual conference in Brighton. It has abandoned a number of unpopular policies, most notably unilateral disarmament, and embraced the European Community, most particularly in its "social" aspect. It is comfortably ahead in the opinion polls, and the enthusiasm of its activists has been bolstered by its victories in the recent elections to the European Parliament. The components of the former Alliance have broken up in disarray.

Policy review

Much of the e credit for this turnaround must be given to Mr Kinnock himself. He has cleared his party of the destructive far-left, and reasserted traditional right-wing control. The policy review, the mechanism that helped him shed much old-style socialism, is complete. As this week's conference shows, the party is now more disciplined; the vote-losing squabbles of yesteryear have been avoided.

There is still much room for doubt, as over the use by trade unions of the block vote. Mr Kinnock favours the erosion of this device and its gradual replacement by a mass membership. Yet that same handful of union barons has helped him to keep a tight grip over the Brighton conference.

Outside chance

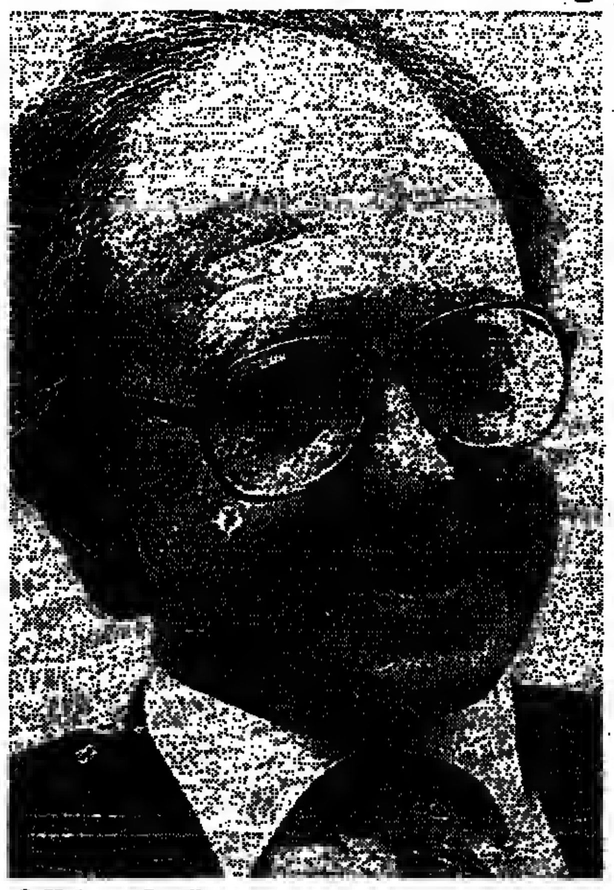
Nevertheless, Labour now looks like a credible Opposition, with an outside chance of becoming the next Government. It would stand a better chance if Mr Kinnock had stimulated the party to provide a clear vision of what it would do if it won. There is a detailed, and sometimes confusing, set of policies in the review, but the prevailing impression to date is that Labour has jettisoned what was not wanted in the 1980's, without setting out a clear new vision for the 1990's.

Mr Kinnock's speech to the conference yesterday was witty and confident, but it failed to provide a plain, easily identifiable, replacement for the 1960's socialism that has been so skilfully set aside. Making investment in education and training the priority is sensible, but a promise to do so is not a fresh political philosophy. Mr Kinnock staked out some ground for Labour in insisting that the market alone cannot protect the environment, but this was only part of a very long oration.

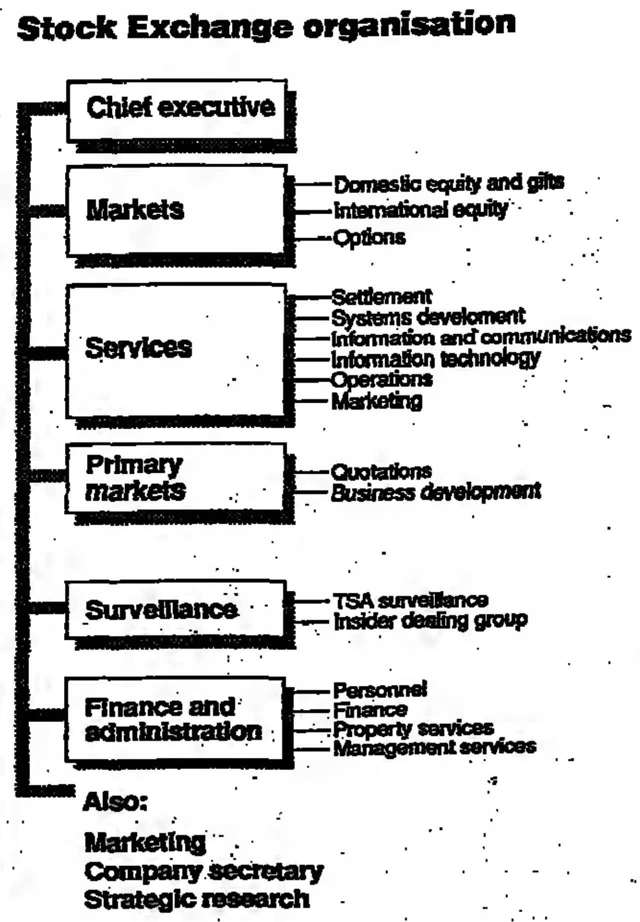
Labour is not, therefore, in a position to win an election because of any inherent attractiveness in its policies, but it has rendered itself neutral enough to reap the benefit of a collapse of Conservative competence. In such circumstances the Labour Party would not be unelectable, as it might have been before this week's conference. As Mr Kinnock acknowledged by his concentration on the subject in his speech, the key indicators will probably be the retail prices index and the cost of servicing mortgages. Mrs Thatcher, and her Chancellor, Mr Nigel Lawson, could lose an election in 1991 or 1992 if they fail to move both those rates well down during the next 18 months.

Richard Waters looks at the changes ahead for London's stock market

Finding a role for the Exchange



● Mr Peter Rawlins



Big Bang, three years ago, was the most radical upheaval London's International Stock Exchange had ever seen. Yet Mr Peter Rawlins, who takes over as chief executive of the Exchange at the end of next month may find himself presiding over still more startling changes.

The challenge facing the Exchange is to hold together the central market in equities at a time when developments on all fronts threaten to pull it apart. The result, over the next few years, may be the shedding of many of the Exchange's traditional functions.

Mr Rawlins says: "It may well be that the Exchange that we know today will not be the same as the Exchange in five years' time."

At the heart of the Exchange's dilemma is deciding on its role in the electronic age. The days when the trading floor was the symbolic and actual heart of London's equity market, and when fixed commissions and a closed shop provided a comfortable living for member firms, are long past. The Exchange is now being forced to think afresh about its purose in life.

Mr Rawlins, a 38-year-old accountant, has until now been a director of Lloyd's underwriter Sturge Holdings. Looking ahead to his new job, he says that "refining the strategy is high on the agenda."

He adds: "We need first to refine – and define – the role of the market. The securities industry is an increasingly diverse and complex one. There is not a straightforward answer to what needs to be done. There may not be one strategy for all the markets, but a number of strategies."

There has been a marked change in the direction of the Exchange since Mr Andrew Hugh Smith became its chairman a year ago. Responding to the loss of its traditional role, it has chosen to provide a wide range of services on an increasingly commercial basis to member firms. For both commercial and political reasons, it has also appeared willing to hive off functions where there is no advantage in the Exchange retaining control.

Few members believe that the Exchange is the natural provider of all services that the market needs, from information to settlement services.

In the words of Mr Peter Wilmot-Sitwell, joint chairman of Warburg Securities: "If it can do something really competitively, it's in the interests of members. Otherwise, it should leave these things to outsiders, and not just provide services for the sake of providing services."

The Exchange has already decided to hive off its clearing house to allow securities houses and others ownership of – and a greater say over – the settlement services.

The same fate may eventually await its Topic commercial information service, which supplies the market with price quotations and company news. The Exchange has already created a structure which would enable it to hive off its commercial company news service.

Starting some time next year, it will separate the regulatory aspects of collecting company information (ensuring a secure flow of price-sensitive information to maintain an orderly stock market) from the commercial aspects (supplying news at a profit to the 10,000 or so users of its Topic information service).

The Exchange is jealously guarding its regulatory role in the face of attack from information firms like Reuters and Extel, claiming that it should be the central point for receiving and distributing announcements from listed companies.

It intends to fight hard to defend its new Regulatory News Service from competition from outsiders. The price of this "wholesale" service will be fixed to cover only its costs – expected to be in the region of £3m a year. Topic will remain as the Exchange's commercial news arm, distributing a "retail" information service in competition with other commercial organisations.

This structure is a recognition by the Exchange of the need to separate its regulatory and commercial functions – a decision forced on it partly by pressure from the Office of Fair Trading, which is concerned to make sure that it does not use its position as regulator to give its commercial services an unfair advantage over others.

Whether Topic is able to compete on a level playing field against competitors like Reuters has yet to be tested. There are those among the market's members who claim that it should not even be trying, but should concentrate instead on issues which are more important to the quality of the market. If this vew wins the day, Topic wold also be a candidate for hiving off. And if company information goes, then why not information on prices as well?

Hiving-off the retail distribution of price information would be a brave decision for the Exchange to take. In the year to 24 March, £123m of its £196m income came from information and settlement services. Shedding both would leave it much reduced.

Mr Rawlins, while saying that there is still much work to be done on refining the Exchange's strategy, says that he is unperturbed by this possibility. "I will not be empire building at the Exchange in any way, shape or form," he says. "My remit is not to build on the Exchange in anyway I can – it's only there to serve the market.

Looking ahead five years, he says, "it may be that the role of the chief executive then will be very different, and that it is not the role for me. But that is in the future."

Influential figures inside the Exchange are already arguing that it should expand the step-by-step examination of its activities which Mr Hugh Smith has encouraged into an active attempt to shrink its role to the much more narrow one of regulator.

The course on which it is currently embarked leaves it no option – unless it makes the decision to be a regulator, it will find itself without a role at all, says one senior official.

The Exchange is responsible under company law as the "competent authority" for overseeing the listing requirements on companies. It also has responsibilities under the Financial Services Act as a "recognised investment exchange" – alongside other potential competitors, such as the US over-the-counter market Nasdaq.

Few members believe that the Exchange is the natural provider of all services that the market needs

A third regulatory function is outside the Exchange's current remit – overseeing the securities firms that deal in the market. This job is done by The Securities Association, a body which came into existence after the Financial Services Act. The Association shares many staff members with the Exchange. But folding the Association, which is jealous of its independence, into the Exchange would not be easy to achieve, however much the Exchange might desire it: many members of TSA, for instance, are not members of the Exchange, and so would still require a separate regulatory organisation to oversee them.

Central to the role of overseer of an orderly central market to which equity investors are attracted – and in which broker-dealers want to operate – are the rules governing the way business is done in the market. It is here that the Exchange faces one of its biggest tasks as it tries to reform the rules introduced at the time of Big Bang.

The Stock Exchange describes this as a process of fine-tuning, designed to remove some of the problems caused by the original rules. Its proposed amendments, recommended by its Domestic Equity Market Committee under Mr Nigel Elwes, have yet to be implemented, although the Exchange says that they are generally supported by members.

However, some large firms are still extremely unhappy with these changes and claim that, far from representing fine-tuning, they are designed to tilt the market in favour of the large market-makers to the detriment of newer entrants to the market, as well as damaging the interests of brokers without market making arms. Until it settles this dispute, which undermines the vital concensus needed between member firms, the Exchange will find it difficult to take move forward.

Sorting out the ultimate future of the Exchange is only part of the job. In the meantime, there is a major task to be done in bringing down the market's costs, and clearing the clogged arteries of the market's decision-making structure to help it function more efficiently.

The costs problem is highlighted in the latest report and accounts. Total costs went up 15 per cent last year, while income dipped marginally. The cost of running a near-3,000 strong staff accounted for much of the increase, together with the spiralling costs of new technology.

Some of the market's largest users have made it clear that they believe the Exchange is too expensive. The cost of settling bargains – put by some firms at over £50 a time – is one indication of this, although this may be dealt with by the hiving off (and automation) of settlements.

As in any business where costs are rising too fast and customers are baulking, the new chief executive is certain to take a closer look at where cuts could be made.

A related problem is the Exchange's organisational structure. The plethora of committees (94 of them, according to one outside estimate) makes decision-making difficult, and absorbs senior people in endless rounds of meetings.

Central to this is the way power rests in the hands of the market's council, rather than its executives. This council (comprising representatives of the various interest groups) has the final decision on all important matters. Recommendations are put to the council by working groups staffed largely by outsiders (such as the domestic equity markets committee under Mr Nigel Elwes of Warburg Securities). In this system, it is difficult for a full-time executive team to formulate a strategy and see it through to completion.

Complicating this is the way that power has concentrated in the hands of a number of people, leading to claims that the Exchange is really run by a number of "barons" each of whom is concerned to look after his own fiefdom.

Overlaying it all is a crust of practices which have more to do with a Victorian club than a modern business. One official recalls a meeting of the so-called chairman's room (the chairman's "inner cabinet" which meets most mornings) where a hapless newcomer sat in a chair usually occupied by someone else. He was politely asked to move to move to another chair.

Mr Rawlins, while confessing to being "an innocent abroad in terms of the nitty gritty" of the way the Exchange works, has experience of this sort of environment. As right-hand-man to Mr Ian Hay Davison, a former chief executive of Lloyd's, he was instrumental in bringing major reforms to one of the City's most venerable institutions. His supporters claim that his experience there, and his sharp mind, will enable him to cut through the political obstacles in his path at the Exchange.

However, the job will be a more difficult one to that at Lloyd's. The insurance market had just been through a series of financial scandals which had shaken the market to its core. It was in need of a major overhaul, and therefore open to the proposals of Mr Davison and his team.

The Exchange, on the other hand, does not see itself as much in need of reform. True, its confidence has been shaken by such things as the failure to automated the settlements process sooner, and the continuing disagreements over the Elwes recommendations. However, its powerful executives may not be as willing to see radical change as those at Lloyd's.

Mr Rawlins likes to think that he was an "agent of change" at Lloyd's. He is not prepared yet to say whether the Exchange needs such a person, settling instead for the description of himself as "an agent of evolution". Judging by the task ahead, though, the Exchange could be in not for evolution but revolution.

OBSERVER

The ties that make a man

■ British tie ownership is continuing to rise. The average British man, in terms of ties, now owns 17. Actually, the statistical figure is 16½; the numbers have been rounded up. But it is still one more than last year and two more than in 1987.

The favourite material is silk and the favourite colour is blue, though red is coming up, especially among the young. There is still a preference for plain ties, but stripes and paisley are on the rise.

This is the fifth year of The Tie Report, a public opinion survey based on face-to-face interviews with 1,000 men and conducted for Tie Rack. It is the first time that there has also been a survey of American views, which turn out to be strikingly different from the British.

For a start, average American tie ownership is 22 – five more than in the UK. And while 83 per cent of British men say thet they can tell a man's social standing from his tie, only 45 per cent of American men say the same.

When it comes to straightening your tie in public, 75 per cent of British men say that it is a sign of nervousness. Only 54 per cent of American men agree. Rather a lot of Americans believe that tie-straightening in public (one's own, I suppose) is a sign of confidence.

Back home, British men buy an average of two new ties a year for themselves; in the north the figure is fractionally higher than in the south. They receive another two a year as gifts. But (ladies please note) 52 per cent of British men say that they would prefer to buy their own ties rather than have them given to them. Over 80 per cent of them prefer to be left alone to choose for themselves when they go shopping.

The biggest single reason for buying a new tie is that an important business or social engagement is coming up. And the average life of a tie is put at two to three years.

The oddest finding is that only two per cent of men say that they buy ties because they want to impress someone. It hardly fits with the rest of the report.

Still, reading between the lines, if you wear blue silk, plain or striped – especially at the office – you can't go wrong.

Soviet news

■ A new publication that has gone on sale in the Soviet Union may be of interest to Western businessmen. Dyelovoy Mir Daidzhest Pressi (Business World Press Digest) is published by the Leningrad branch of the Soviet journalists' union and gives a selection of economic and financial items from newspapers throughout the USSR.

Its editors, Yan Strugach and Sergei Grachev, are respectively economic editor and science and education editor of Leningradskaya Pravda, a paper which nowadays plays down its connection with the Communist Party and prides itself on having been the first to challenge the central Pravda's version of Boris Yeltsin's trip to the US.

(It actually interviewed the author of the article in La Repubblica, reprinted in Pravda, which got Yeltsin into trouble. The author admitted that some of his sources were Soviet emigrés – "but not KGB". "Aha", it commented, "so you know who is KGB and who isn't!" Pravda then took the almost unprecedented step of apologising for the article.)

The first issue of Dyelovoy Mir (there are to be eight per year) contains 30 items, ranging from a list of joint ventures so far established in Leningrad to an article entitled "Sex and Patient", about a private clinic dealing with men's sexual problems.

"I'm a member of the inner circle, but it's top secret."

For the time being it is in Russian only, but Strugach and Grachev are keen to find a Western partner interested in publishing an English edition as a joint venture. Their address is Mail box 55, "Business World", Leningrad-180, USSRT 191180.

Army in drag

■ Khaki, it seems, is out of fashion. The smart new military colour is "Terre de France", a sort of blue-grey.

The decision comes from Jean-Pierre Chevènement, fashion arbiter extraordinaire and in his spare time France's defence minister. Charles Hernu, one of his predecessors in the defence job, tried unsuccessfully to change the army from khaki to French blue, but Chevènement is adamant that the time has now come for a restyling.

"There used to be eight uniforms in the army. We are going to abolish all that and replace them with a modular uniform," Chevènement said yesterday.

The precise designs remain under close covers, and military officials refused yesterday to comment on whether the traditional képi would survive the new look.

In charge of the new uniforms is the venerable fashion house of Balmain, now in the hands of Alain Chevalier, tha ousted chairman of LVMH. Balmain, which reclothed the Paris police in 1986, won the tender against competition from other couturiers such as Cacharel and Ted Lapidus.

High fashion is no stranger to the battlefield. Giorgio Armani, now hotly tipped to become the new designer at Lanvin, produced special tropical uniforms for the Italian troops in Beirut.

Yet Chevènement's hopes of reconciling French conscripts to their military service by giving them a haute couture uniform may be a little far-fetched.

Party's over

■ Perhaps the Poles really are getting down to austerity. We have received the following letter from the Polish Embassy: "We regret to have to inform you the reception on the occasion of the 45th anniversary of the Polish Armed Forces, on Thursday 12th October, 1989 has been cancelled.

"Due to the difficult economical and financial situation in Poland, it has been decided to cancel all social functions."

Overdoing it

■ From a circular letter received by a Hampshire reader: "We have always been noted for our cut-price wines and spirits but next month, to celebrate our 20th anniversary, all prices will be sloshed still further."

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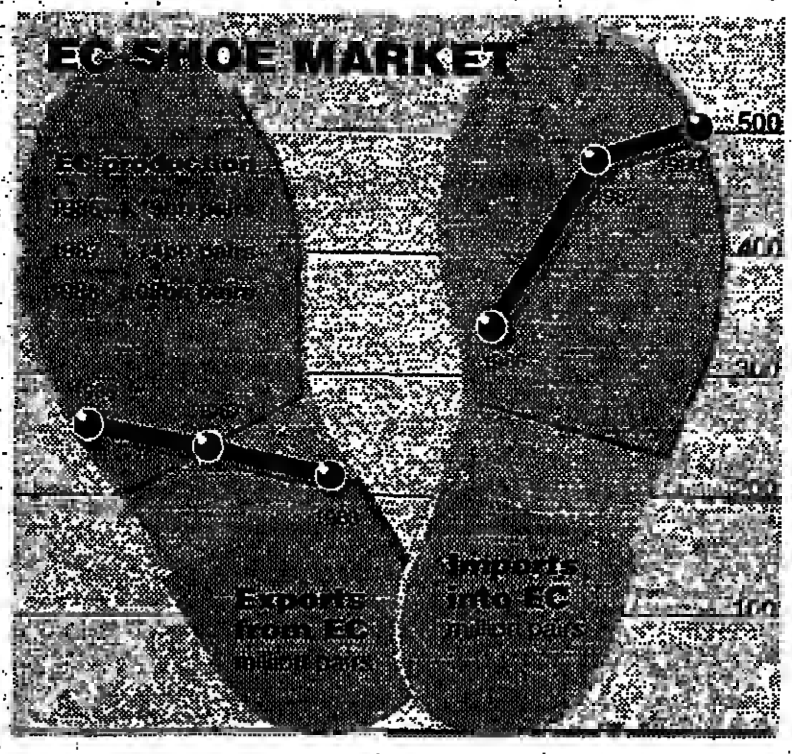
Alice Rawsthorn looks at the pressures facing the European footwear industry



Putting in the boot

For decades the shoe makers in and around the cities of Vigevano in northern Italy and Naples in the south have been the focus for the international footwear industry.

Yet in the past year or so the Italian shoe makers have been hit by hundreds of workshop closures. Thousands of jobs have disappeared as Italy's footwear industry has struggled against an apparently inexorable influx of Asian imports and an increasingly competitive export market.

The only consolation for the Italians is that all their fellow European shoe makers are struggling too. The company closures and job losses that have ravaged the Italian industry are being replicated across Europe.

After two years of recession the European footwear industry is in an increasingly fragile state. In the first seven months of this year alone almost 240 production plants closed and 13,300 jobs were lost.

There are about 15,000 companies with a workforce of over 350,000 making shoes in the European Community. The industry is dominated by Italy, which accounts for about a third of output and employment, although Spain and Portugal are increasingly important forces in the mass market.

Europe is also the centre of excellence in the shoe industry. European designers, such as Robert Clergerie in France and Emma Hope in Britain, set the style trends. Classic Italian shoes, Gucci loafers and Bruno Magli courts, are sold all over the world.

The industry's troubles began two years ago, after the US dollar had weakened against the European currencies. This made it much more difficult for the European companies to sell shoes in the US, which is, by far, their most important export market.

Church, one of the oldest UK shoe companies, has been selling its traditional British brogues to the US for years. When the pound rose against the dollar Church had to decide whether to increase its prices and run the risk of losing sales, or to swallow the change in exchange rates thereby squeezing profitability.

All its competitors faced the same difficult decision. The inevitable result was that many companies lost both sales and profits in the important US market. Exports of European shoes to the US fell by a third from 105m to 70m pairs between 1986 and 1988.

Other export markets have weakened too. But the principal problem for the European shoe makers has been the dramatic increase in imports into their own market.

The decline of the dollar against the European currencies came at a time when the emerging Asian economies – especially South Korea and Taiwan – invested heavily in increasing their footwear manufacturing capacity.

It suddenly became less lucrative to sell shoes to the US from South Korea and Taiwan, where currencies are linked to the dollar. Consignments of footwear originally bound for North America were diverted to the more accessible – and profitable – markets of Europe.

Imports of footwear into the European Community have soared. The level of import penetration increased from 27 to 42 per cent between 1986 and 1988, according to the European Confederation of the Footwear Industry (ECFI) in Brussels – and this at a time when consumer demand was static.

The dollar has since strengthened against the European currencies, but imports are still increasing. As the crisis has continued the condition of the industry has become more and more precarious.

Almost every country has suffered. The Spanish industry was relatively resilient until recently but it has since encountered difficulties. Portugal is the only exception. Its industry operates from a low cost base and has actually expanded during the crisis.

Elsewhere the footwear industry is in chaos. Since 1986 there have been more than 13,000 job losses in Italy, 10,000 in France and 7,500 in West Germany. Scarcely a week goes by without the announcement of yet another company closure or another round of redundancies.

The immediate response from the industry has been to lobby the European Commission for the introduction of quotas to restrain the increase in imports. Originally the ECFI pressed for specific restraints against South Korea and Taiwan, along the lines of those introduced for France and Italy last year.

Initially these quotas seemed to be effective. The flow of footwear from South Korea and Taiwan into France and Italy has slowed down. The only hitch is that the South Koreans and Taiwanese swiftly discovered how to wriggle around the restraints. They have accelerated the process of switching production into lower cost countries, like Indonesia and Thailand. They have also started exporting indirectly to France and Italy through wholesalers in other countries – chiefly Belgium and the Netherlands – where there is unfettered access to the French and Italian markets.

The ECFI is now pressing for the *introduction of quotas across the Community from all* other countries. But so far, the lobby has not had much success. One problem is that the introduction of quotas is clearly incompatible with the Commission's present policy of liberalising trade regulations.

Another difficulty is that Brussels seems to be dragging its heels on the issue. It completed an inquiry into the condition of the footwear industry late last year, but it has yet to announce its conclusions.

The lobbyists are pressing for a speedy decision but are doing so in the uncomfortable knowledge that footwear, which is not seen as a strategic sector, is rather low down the list of the Commission's political priorities.

The crux of the lobby's case is that quotas would give the industry a respite from import competition while *it invested in new technology to become* more competitive against the Asian competitors. New technology, or so the argument goes, would reduce the labour intensity of the footwear production process thereby eroding the Asian cost advantage.

Yet the level of automation in the shoe industry is still comparatively low. There have been some advances in recent years. The larger European companies have already installed computer-controlled systems for stitching and assembly. But the production process is still labour intensive. Some sectors of the industry are heavily dependent on highly skilled employees. This most expensive shoes, like Gucci loafers and Church's brogues, are still made by hand.

New developments are coming on stream. But the pace of progress is relatively slow. The production process is so elaborate – there are nine different stages in the making of a standard shoe – that it does not easily lend itself to automation.

Moreover, machine makers are reluctant to commit capital to research and development for the shoe industry, which is too small to be a lucrative market.

Some companies are alleviating this problem by sourcing from lower cost countries. Adidas, the giant West German group, is switching part of its sports shoe production to Asia. Adidas has reduced its West German workforce by a third to just over 10,000 people over the last three years.

C. & J. Clark, the largest shoe manufacturer in the UK, has expanded its manufacturing facilities in Portugal by building a new factory near Oporto. Clark uses its Portuguese plants to produce the intricate shoes which can not be made cost-effectively in the UK.

The disadvantage of overseas sourcing is that the company runs the risk of jeopardising quality. It can also lose the logistical advantage of being able to offer a fast, flexible service by operating close to the market.

Moreover, the cost of introducing new technology or operating an international sourcing network is beyond the means of all but the biggest companies. The European footwear industry is still fragmented in structure and dominated by small, family-owned firms.

The ECFI estimates that it would cost about £300,000 for a middle-sized *company – with a workforce of 70 to 100 people* – to equip its plant to compete with South Korea and Taiwan. The finances of many small companies are far too fragile to justify this level of investment.

Investment is the only long term *solution to the industry's problems.* Yet it is doubtful whether the European shoe companies will be able, or willing, to find the necessary capital at a time when confidence is so low. In the meantime the job losses and company closures go on and on.

Energy privatisation

A programme that is going astray

by Colin Robinson

The British Government's energy privatisation programme is now in such disarray that it may produce little or no benefit as compared with leaving the industries in state ownership.

A poor start was made in 1986 when British Gas was transferred, monopoly undisturbed, into the private sector. If any gains to consumers eventually appear, it will only be through the efforts of the regulator and the Monopolies Commission.

Electricity privatisation is also proceeding badly. The electricity supply industry is complex both in technical and *economic terms. It also has a* near-monopoly of information about power generation, transmission and distribution in Britain. These facts give it a big bargaining advantage over would-be reorganisers from outside. In formulating its privatisation proposals, the government ignored three crucial pieces of advice:

- that it should avoid trying to privatise nuclear power
- that it should from the beginning establish a competitive generating industry
- that it should link coal and electricity privatisation.

All three issues will continue to plague privatisation unless there is early and determined government action.

It was entirely predictable that the CEGB's division into a duopoly would promote collusion and make entry into power generation extremely difficult. Of course, it is understandable that the existing industry should try to protect its interests. But it is quite a different matter for the government to condone restrictions on competition, as it plans to do by giving the existing industry a protected market for four to eight years after privatisation.

If the government's commitment to competition in generation means anything, it will abandon such notions even at *the cost of further delaying* electricity privatisation. If it does not, the feebleness of competition will produce a "new" electricity supply industry which is merely a variant of the cost-plus industry which existed under nationalisation and which will bring virtually no benefits to consumers. Moreover, there will no doubt be strong pressure groups in favour of indefinite maintenance of the "temporary" restraints on competition.

The electricity-coal link is important despite the diminishing economic and political significance of the British coal industry. British Coal is likely to be the electricity industry's principal fuel supplier for many years ahead and electricity will be British coal's main customer. In such circumstances, to embark on electricity privatisation whilst remaining vague about coal privatisation was plainly a mistake.

To its credit, the government has begun to clarify its intentions towards coal. The statement in 1988 that coal would be privatised if the Conservatives won the election of the early 1990s has recently been followed by action. A new Coal Bill will relax the absurd restrictions which, since nationalisation, have constrained the growth of private sector coalmining. The underground workforce size limit is to be 150 instead of 30 and the maximum size of open-cast deposits which can be worked privately will evidently be raised from 85,000 to 250,000 tonnes.

Naturally enough, British Coal's management expresses itself opposed to any division of the corporation as part of a liberal approach to privatisation. The managements of British Gas and the CEGB also lobbied against break-up (and with some success). To the existing managers of a nationalised corporation, the optimum form of privatisation is to be left whole; in that way, the Treasury's irritating interference can be avoided, salaries can be vastly increased and yet there need be no intrusive competitors.

Nor is it surprising that some City institutions are declaring themselves in favour of privatising British Coal intact: it is easier and more lucrative to float a single corporation in an industry than to try to sell a number of competing organisations.

Yet there is little virtue in privatising British Coal without break-up. Some gains in efficiency might result from the presence of private shareholders. But, particularly if the government maintains a golden share or some other device to prevent takeover, gains will be minimal.

Significant social benefits depend on there being a number of competing British coal companies, so that there is pressure on costs and prices, entrepreneurship is encouraged and innovation is stimulated. British Coal has none of the "natural monopoly" characteristics which complicate gas and electricity privatisation. Its product is dispersed by nature and the natural state is for that product to be worked by competing companies rather than the whole industry run by a single corporation.

If the government genuinely wishes to improve social welfare through privatisation, it will strenuously resist the pressures now evident to privatise British Coal whole. Even more urgent, it will insist that the existing electricity supply industry does not rig the market – not only for the sake of electricity consumers but since, if there is no effective competition in electricity generation, the form of coal privatisation may well be pre-determined. A monolithic electricity supply industry would have so much market power vis-à-vis British Coal that it would be hard to resist arguments that the coal industry must be privatised intact to provide countervailing power.

There is now a serious danger that energy privatisation will, by the mid-1990s, merely result in the replacement of state monopolies by private monopolies or near-monopolies in gas, electricity and coal. The meagre benefits of such an outcome could hardly justify the huge opportunity costs of the intervening structural change. Energy privatisation is going badly astray. Only swift and determined government action can put it back on course.

The author is Professor of Economics at the University of Surrey.

LETTERS

A free banking system for monetary union and an end to inflation

From Dr Kevin Dowd.

Sir, In all the discussion about the Delors Report, one could be forgiven for thinking that a European central bank was the only way to achieve monetary union. Yet there is a better alternative – to abolish existing central banks, deregulate our monetary systems and adopt a common monetary standard.

Consider what we could expect if the Delors Plan were implemented. A common central bank would certainly achieve monetary union, but the cost of that monetary union would be a higher inflation rate. Inflation would be higher in part because the Delors plans would eliminate the competition which now exists between the different European currencies and which helps keep inflation down. People and institutions holding money tend to shift away from currencies that inflate excessively towards those which have more stable values. If currency competition encourages central banks to pursue less inflationary policies than they would otherwise pursue, *the elimination of this* competition by a European central bank would then lead to higher inflation.

There is also a second factor likely to produce higher inflation. A European central bank would shift the balance of power away from the governments of member countries towards the European Community itself, and it is almost certain that there would be some Community body in charge of European monetary policy. There would then be a very strong temptation for the Community to try to solve its budgetary problems by borrowing from its central bank – in effect, printing money to keep the Common Agricultural Policy going. If the Community succumbed to this temptation, there could be a very substantial rise in inflation. If history teaches us anything at all about governments and money, it teaches us that we are asking for trouble if we give the power to print money to government institutions which themselves desperately need to use it.

While the European central bank would increase inflation, we could opt instead for a free banking approach to monetary union that eliminated inflation entirely. The "pound" would cease to be a piece of paper issued by one particular bank – the Bank of England – the value of which depended on how much money the Bank created. Instead, it would become a claim to a commodity or basket of commodities which could be chosen to eradicate inflation by keeping the retail price index constant. The same would go for the Deutsche mark, the French franc, and so on. We would effectively adopt a single convertible currency, and in the process we could turn our backs on the inconvertible government-managed currencies that have produced the devastating inflation which has been a feature of the last 30 years.

Free banking has other *attractive features.* As there would be no central bank to function as lender of last resort, commercial banks would have no incentive to take excessive risks in the belief that they would be *bailed out if their risks did not* pay off – as they did in the run-up to the debt crisis of the early 1980s. The absence of a lender of last resort would thus make the banking system more stable by encouraging commercial banks to behave more prudently.

Free banking is not some crackpot scheme put forward by a few cranks. Since Friedrich Hayek rediscovered it in the mid 1970s, it has become an academically respectable idea that is rapidly gaining ground among monetary economists. The fact that politicians are now taking note of it – as Mr Lawson did at the recent Antibes meeting of Community finance ministers – also indicates that it is fast moving into the realm of the politically possible.

If the British Government finds the monetary status quo increasingly hard to defend, then it might also offer the only way to overturn the Delors bandwagon before it becomes unstoppable.

Kevin Dowd,
Department of Economics,
University of Nottingham

To France for sensible libel law

From Mr George Stern.

Sir, Justinian (October 2) cites the timid Faulks Committee recommendation that libel awards should be up to the judge, not the free-handed jury. But this would not overcome the main objection to current libel law, which is that only the very rich can sue and can silence all comment about themselves because few can risk even the legal costs which may easily reach £1,000,000. Let us look across the Channel. France deals with libel in a simple, cheap and civilised way.

Libel in France is a crime, heard as a minor offence in a low-level local criminal court, the *tribunal correctionel*, before three judges, no jury. During the summer, a series of articles about local authority corruption published by the *Nouvel Observateur* was advertised in Tours by placards reading: "Is your mayor corrupt?" The court ruled that although one of the articles exculpated the mayor, the advertisement did smear him. The magazine was ordered to pay the mayor 10,000 francs, about £1,000.

Such a case would, I think, take a few minutes to decide because the judge gets a dossier from the *juge d'instruction* and there is no need to spend day after day, at £50,000 a day, establishing that the sun rises in the east and other facts of the same sort. Unlike the English, the French procedure is really open to all. The awards satisfy honour and establish the truth without bankrupting anyone.

Even if England can't get a proper legal system in general, could we not, at least in this area where ours is so malicious and crazy, adopt sensible European procedures?

George Stern,
6 Eton Court,
6 Shepherds Hill, N6

Accommodating transfers

From Professor A.P. Thirlwall.

Sir, Samuel Brittan, ("Hysteria on deficits," September 28) accuses those who see Britain's balance of payments deficit as a cause for concern of being stuck in a time warp and failing to understand why current account deficits don't matter any more. He quotes the IMF Economic Outlook to the effect that balance of payments deficits and surpluses partly reflect fundamental differences between countries in the balance between private saving and investment. He also appears to approve of its analysis that "in a world of highly integrated financial markets, these differences . . . give rise to capital movements in the direction of countries with relatively *low savings rates and* relatively high (risk adjusted) rates of return on capital."

This view confuses cause and effect. Foreigners are not depositing capital in the UK, ebullient at the strength of the real economy. They are investing short term to take advantage of the highest real interest rates in Europe necessitated by the current account deficit to avoid a collapse of the currency. *It is the difference* between autonomous and accommodating transfers.

A large part of the current account deficit is with the EC. This has nothing to do with spontaneous movements of capital. It has to do with the penetration of British markets by EC goods which has led in the last 20 years to the erosion of Britain's industrial base. That is why current account deficits matter. They bear on the real economy and affect the lives of ordinary people.

Can we assume that Mr Brittan and the Chancellor are indifferent to the interest rates that might be necessary to finance current account deficits, and to their effect on investment, employment and economic welfare in general?

A.P. Thirlwall,
Keynes College,
University of Kent,
Canterbury

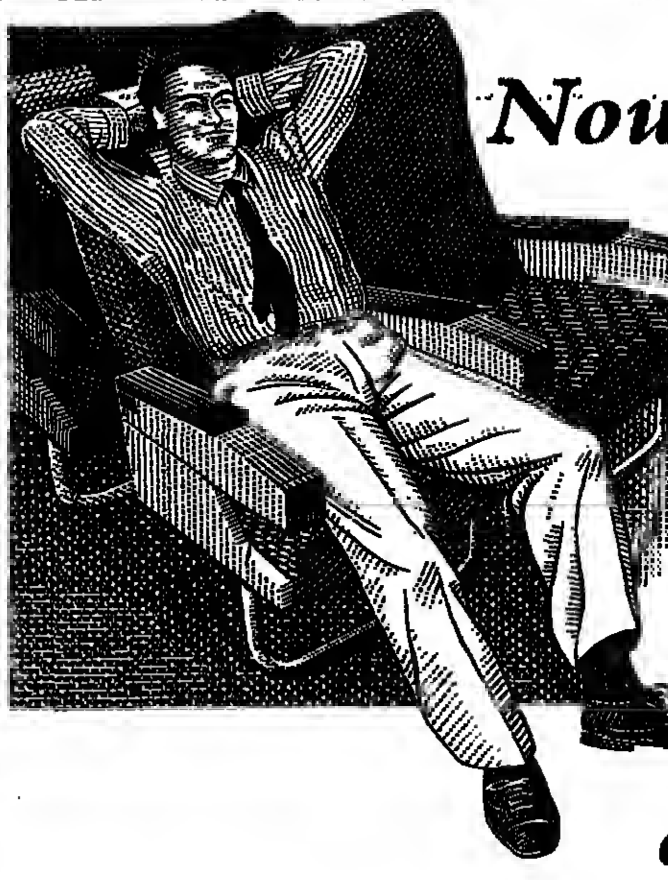
Company value

From Mr Bruce Sutherland.

Sir, John Plender ("Capitalism in hock," Lombard, September 28) asks "why is it that companies always seem to be worth more to a bidder than to a long-term stock market investor?" With respect, his own answers miss the point. The prices which stock market investors pay for virtually powerless minority holdings must in total be substantially less than the value of the company as a whole to a buyer who will have absolute control over it.

Pace Euclid, the whole is not equal to the sum of its parts.

Bruce Sutherland,
The Manor House,
Shipston-on-Stour,
Warwickshire



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Tears in Prague as E Germans win freedom

By Judy Dempsey in Prague

East German refugees scale the walls of West Germany's embassy in Prague yesterday

TEARS and laughter broke out among thousands of East Germans camped in the West German embassy in Prague last night after they had been told they would be free to leave for West Germany.

As soon as the news of their departure was announced, hundreds of East Germans could be seen rushing towards the West German embassy to make sure that they too got a place on the buses that would ferry the emigrants to Prague's railway station. They had spent yesterday trying to get inside an embassy already jammed with people.

"*At long last, freedom! Freedom!*" shouted a young mother with two small children. Others were sobbing with emotion.

They ware standing inside the baroque and stately Lobkovic Palace in the centre of Prague, the home of the West German embassy. But yesterday an embassy was the last thing it appeared to be. Inside, it was a refugee camp for 5,000 *East Germans* desperately seeking asylum in the West. Ontside, it formed the backdrop to a battle between the hundreds of East Germans trying to get in and the Czechoslovak authorities attempting to keep them out.

On Sunday, when the East German anthorities allowed 5,500 people to leave the embassy for West Germany, they were simply encouraging more would-be emigrants to head for Prague.

On Monday and Tuesday, thousands more streamed into the palace in the old city. *Yesterday morning, hundreds* were still scaling high, railings at the back of the embassy until the Czechoslovak police sealed them off.

The militia dragged some of them from the railings, seriouely injuring one person. They attempted to disperse the crowd but later left the scene and abandoned their attempt to cordon off the embassy.

Then it was the turn of the West German diplomats themselves to close the doors. They were forced to do so because there was no more room inside.

"It is absolutely critical in here," one West German diplomat said, adding that between 5,000 and 6,000 East Germans had filled the embassy throughout the past two days.

The *grounds* were packed *with bunk beds and tents.* Army rations were being distribnted and West German identity papers were being filled in. But the facilities could not match the numbers. The sanitary conditions – there are only four lavatories in the embassy – and torrential rain on Monday night were complicating the cramped conditions.

Regardless of all this, however, more than 1,000 East Germans yesterday made their way up the cobbled Vlasska Street. Like all the streets in the Mala Strana district, it is straddled with East German *cars which have been abandoned* by the refugees.

They squatted outside the palace, refusing to move; refusing to think about returning home; refusing to believe that the political climate will change in East Germany. From time to time, diplomats and Red Cross workers emerged from the embassy with rations.

Yesterday afternoon, as police continned to block access to the gates, frustrated East Germans tried to scale the high wall into the embassy grounds.

"We have tried to travel to the West for five years. No luck," said Berndt, a 27-year-old botanist.

"It was on *the spur* of the moment, on Sunday night, that we decided to take the train down here. You must understand, there is no point in waiting for change at home. Gorbachev cannot interfere that much in the *leadership* in East Berlin," he said.

He and his wife, a teacher in an infants school in Magdeburg, have no intention of returning.

US faces tough new law on car emissions

By Peter Riddell, US Editor, in Washington

TIGHTER CONTROLS on car emissions are now certain to be introduced in the US despite the objections of the motor industry, following a Congressional deal which has broken a 12-year stalemate on clean air legislation.

The proposals go further than those the Bush administration tabled in mid-summer, by applying to the whole of the US tough new standards recently adopted in California and by eight north-eastern states.

Producers of cars and light trucks would be required to cut emissions of hydrocarbons and nitrogen oxides – the main contributors to smog – by 39 and 60 per cent respectively. This would be phased in between car model years 1994 to 1996, while vehicle pollution controls for hydrocarbons and carbon monoxide should be designed to last 10 years, or 100,000 miles, double what the administration proposed.

The Environmental Protection Agency has estimated these changes would initially add $100 or so to the cost of a vehicle, while tougher standards to be introduced at a later stage might add a further $500.

The proposal has been welcomed by environmentalists but attacked by Detroit car producers. General Motors argued the changes would bring no significant benefits over what the administration has proposed, but would "mean huge costs to the consumer and high risks for the industry."

The new standards have been agreed unanimously by a House sub-committee. They are regarded as a political landmark following a compromise between long-time foes on the issue – Congressman Henry Waxman, representing a district in the smog-infested city of Los Angeles, and Congressman John Dingell, who is a strong advocate of his Detroit motor industry constituents.

The measure is regarded as certain to pass the full House of Representatives, while the Senate is considering a Bill with even tougher standards.

The agreement on emission standards clears the way for early passage of the whole clean air legislation, also covering acid rain, toxic air emissions and alternative fuels.

The sub-committee decision reflects the growing power of the environmental lobby in Congress.

Snub for Gorbachev on strike ban

By Quentin Peel in Moscow

THE SOVIET Parliament yesterday snubbed President Mikhail Gorbachev by refusing to agree on a blanket strike ban to stifle the threat of mass industrial unrest. It agreed instead on a selective ban in key sectors of the economy.

The compromise was thrashed out in a night and day of anxious negotiations, pitting the deputies of the Supreme Soviet against Mr Gorbachev and the Soviet Government.

The deputies did agree to sanction the use of Soviet troops to restore the operations of the railways in the republic of Azerbaijan, where railway workers have imposed a blockade on supplies to Armenia.

The strike ban will apply to energy, transport, chemicals and iron and steel sectors, pending parliamentary approval for a proper law on trade unions and industrial disputes.

However, both measures to curb the spread of industrial unrest are in danger of inflaming passions, instead of *controlling them. The instant* reaction in Azerbaijan was the threat of a republic-wide strike from the newly founded Popular Front.

Miners' leaders have also been warning of the danger of a new stoppage from increasingly militant workers, frustrated at the Government's slow progress in improving living standards in the coalfields of the Ukraine and Siberia.

There was no doubt last night that the deputies had directly snubbed their President after an emotional appeal from the Soviet leader for a strike ban to prevent industrial anarchy from undermining perestroika.

Members of four parliamentary commissions – defence, transport, industry and the legislation committee – met through the night to work out a compromise which would be something less than a total ban.

Dr Andrei Sakharov, the human rights campaigner, had earlier denounced the measure as an overreaction to the specific problems of the Trans-Caucasus, where the railway workers' blockade has caused serious shortages of food and factory supplies in Armenia.

The Azerbaijan workers are demanding that the disputed territory of Nagorny Karabakh be brought back under Azeri rule. It is under the direct rule of Moscow, after months of demonstrations by the Armenian majority there to be transferred to neighbouring Armenia.

The deputies agreed that troops should go in to run the railways there if order could not be restored in the course of the week.

The question of a ban on industrial strikes is far more sensitive and many feared that *such a measure would simply* be impossible to implement.

Legislation presented to the Parliament yesterday would permanently outlaw strikes in the transport sector, power supply and defence industries. In an effort to play down the extent of the parliamentary defeat, Mr Nikolai Ryzhkov, the Prime Minister, said it had become apparent that there was a contradiction in the Government's proposal.

The 15-month blanket ban sought by the Government was rendered unnecessary by the selective ban in the new trade union law.

The greatest concern of the Soviet authorities appears to be to ensure proper food and fuel supplies for the winter.

GM expected to enter battle for Jaguar

By Charles Leadbeater and John Griffiths in London

THE SHARE PRICE of Jaguar Cars surged again yesterday, closing up 26p at 599p, as the conviction grew that General Motors, the world's largest car manufacturer, will soon disclose how it intends to intervene in the battle over the UK luxury car maker.

According to car industry union officials who have been kept closely in touch with developments, GM will indicate its plans within the next two weeks.

As a signal of GM's interest, it arranged a secret meeting with the unions last Wednesday to discuss its possible involvement in Jaguar's plans. This followed Ford's move two weeks ago to build up a stake in the luxury car maker. The meeting was cancelled at the last minute, but GM has told the unions it will probably want to meet them within the next two weeks to discuss the situation.

Union officials believe the delay has allowed GM to hold talks with Jaguar over a possible agreed alternative to the Ford stake building, which Sir John Egan, the Jaguar chairman, has said is unwelcome.

The officials' belief that GM will move within the next two weeks is reinforced by the timing imposed on Ford's activities. Under US law, Ford must wait for 30 days after acquiring its initial stake before it can start expanding its holding – currently thought to be just over 1 per cent – to its declared 15 per cent initial target.

Ford will be free to resume stake-building on October 23.

Senior officials of the main car industry unions believe the battle is developing into a simple choice between a Ford bid for eventual majority control and a possible partnership with GM, which would involve the US company taking a stake of between 30 and 45 per cent.

This would be Jaguar's preferred option as it would allow control of the company to remain in the UK.

Some union officials believe the access Jaguar would have to Ford's research and development centre at Dunton, Essex, should tip the balance in its favour. They also cast doubt on suggestions that GM would allow Jaguar considerable autonomy as they believe it is far more centralised than Ford.

The unions believe Jaguar does have to find a larger partner, especially in light of the imminent entry of Toyota and Nissan, the Japanese manufacturers, into the European and North American luxury car market.

However, the unions have told Ford and General Motors they will reserve their position until full details of the alternatives are available. Jaguar employees hold about 3 per cent of the company's shares.

Japan officials raid offices of Apple importers

Continued from Page 1

to issue a cease and desist order, but would not fine the two companies.

The commission official said the investigation into the case is likely to take three to four months and will also involve the Ministry of International Trade and Industry (Miti), *which is expected to question* executives of both companies. Miti is also responsible for condncting trade negotiations with the US, and is likely to be asked by US negotiators about the origins of the allegations against Apple.

Coup attempt reported in Panama City

Continued from Page 1

tion.

There were reports of some deaths but no firm estimates of casualties. There have been no reports of civil disturbances or uprisings and leaders of the political opposition Allianz Democratica Civilista (ADOC) have advised people to stay inside their homes.

Mr Francisco Rodriguez was sworn in as a provisional president on September 1, following the failure of the Noriega-led *Government and opposition to* agree on how to resolve a constitutional crisis after the annulment of last May's elections.

The ADOC claimed a landslide victory in those polls, a view upheld by most independent observers.

Mr Rodriguez was due to address *the United Nations* General Assembly last night.

The incident that apparently triggered the coup attempt was the arrest on Sunday of Dr Ricardo Arias Calderon, vice presidential candidate for ADOC in the May polls. He was detained while travelling to the western province of Chiriqui to organise a civil disobedience campaign of non-payment of *taxes. According to an ADOC* spokesman, he was released on Monday evening.

US troop reinforcements, including a strong contingent of armoured vehicles, were sent to Panama in May following the elections' annulment, to strengthen the US military garrison there. They have since been engaged in aggressive manoeuvres which have raised speculation over the possibility of a direct US military intervention against Gen Noriega.

US forces in Panama were placed on the highest state of alert yesterday but have apparently not intervened.

A *deployment* of US armoured vehicles and helicopters has been reported but only adjacent to US military areas designated under the 1977 Panama Canal Treaty, apparently "to protect the lives of US citizens."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	21	70	Malta	S	23	73	Rhodes	S	24	75
Algiers	S	25	77	Edinburgh	C	11	52	Manchester	C	13	55	Rio de J'o	C	24	75
Amsterdam	F	16	61	Faro	S	24	75	Manila	C	30	86	Rome	F	21	70
Athens	R	18	64	Florence	F	19	66	Melbourne	F	18	64	Salzburg	C	8	46
Bahrain	S	33	91	Frankfurt	S	15	59	Mexico City	F	24	75	San Francisco	S	11	52
Bangkok	R	34	93	Funchal	C	24	75	Miami	C	24	75	Seoul	F	22	72
Barcelona	S	24	75	Geneva	S	15	59	Milan	S	22	72	Singapore	F	30	86
Beirut		–	–	Gibraltar	F	23	73	Montreal	C	10	50	Stockholm	F	10	50
Belfast	C	11	52	Glasgow	C	12	54	Moscow	C	3	37	Strasbourg	C	15	59
Belgrade	R	9	48	Guernsey	C	15	59	Munich	C	8	46	Sydney	S	15	59
Berlin	S	13	55	Helsinki	F	6	43	Nairobi	F	27	81	Taipei	C	28	82
Biarritz	C	17	63	H. Kong	F	29	84	Naples	S	24	75	Tangier	S	25	77
Bombay	F	28	82	Innsbruck	C	13	55	Nassau		–	–	Tel Aviv	S	33	91
Bordeaux	S	17	63	Inverness	F	11	52	New Delhi	S	33	91	Tenerife	S	26	79
Brussels	C	14	57	Islamabad	F	33	91	New York	S	18	64	Tokyo		–	–
Budapest	S	13	55	Istanbul	S	18	64	Nice	F	21	70	Toronto	S	5	41
B. Aires	C	23	73	Jakarta	R	34	93	Nicosia	R	24	75	Tunis	F	21	70
Cairo	F	35	95	Jersey	C	16	61	Oporto	S	22	72	Valencia	S	25	77
Cape Town	S	19	66	Jo'burg	S	20	68	Oslo	S	13	55	Venice	S	18	64
Caracas		–	–	Lima	C	19	66	Paris	C	14	57	Vienna	S	13	55
Casablanca	S	24	75	Lisbon	S	26	79	Peking	C	20	68	Warsaw	F	10	50
Chicago	F	4	39	London	F	14	57	Prague	S	11	52	Washington	S	20	68
Cologne	S	15	59	Los Angeles	F	16	61	Reykjavik	R	10	50	Zurich	C	10	50
Copenhagen	S	12	54	Luxembourg	C	13	55								
Corfu	S	20	68	Madrid	S	25	77								
Dallas		–	–	Majorca	S	25	77								
Dublin	C	13	55	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

When the power base starts to crumble

Continued from Page 1

was to remove the PDF from the picture and allow Washington to renege on the Panama Canal Treaties.

Under these treaties, signed in 1977, the strategic waterway reverts to full Panamanian control in 1999 and the US has to remove its 14 military bases and regional intelligence facilities from Panama.

A battery of US financial and trade sanctions have shattered a once-thriving services economy.

The PDF's cohesion has also been maintained by Gen Noriega's cunning. A former intelligence chief, the General has maintained a parallel general staff composed of a mix of his former colleagues in G-2 (military intelligence), and his military business partners in a range of companies and illicit activities such as facilitating drugs trafficking.

The first group had kept military dissidents cowed, while the proceeds from drugs activities were carefully distributed as loyalty-sustaining patronage.

This model appears to have fractured for various reasons. Gen Noriega and his cronies are stifling upward mobility by denying the highest offices to the middle-ranking officers who acted yesterday to try to oust him.

The very restructuring that Gen Noriega carried out after the last coup has put the PDF in a far stronger position to resist demands for its retrenchment in what many officers saw even last year would be an inevitable restoration of democracy. It is ironic that the troops who yesterday launched a strike against Gen Noriega were from the company which saved him

THE LEX COLUMN

Ferranti in the gun sights

Despite yesterday's frantic activity in Ferranti shares, the market has little to go on besides the conviction that something is up. Since the big buying went through Hoare Govett, which is broker to British Aerospace and STC, simple conspiracy theory would rule both companies out. In fact, BAe is a wholly plausible buyer, especially in its role as Government breakdown truck. But so are any of Ferranti'e fellow-contractors in UK defence, or any other aerospace manufacturer keen to add value to its airframes.

The price is another matter. Yesterday'e close of 55p is higher than the worst expectations, but that is because the market *is* now working on the full expectation of a bid. A certain amount depends on the attitude of the Ministry of Defence; if it were to countenance foreign control in the interests of guaranteeing competition for Marconi, there might be the prospect of an anction.

But a hostile bid remains hard to envisage, not only because of the MoD but because of the formidable risks of taking on ISC without close scrutiny of the books. Assuming both the Hill Samuel reconstruction plan and a straightforward rights issue to be impracticable, or at least unattractive to shareholders, whichever industry partner puts the cash in will want eventual control. But the more sanguine brokers' circulars suggesting break-up prices of 90p should be treated with caution. If someone offers a premium of 10p or so, the market will be in a weak position to haggle for more.

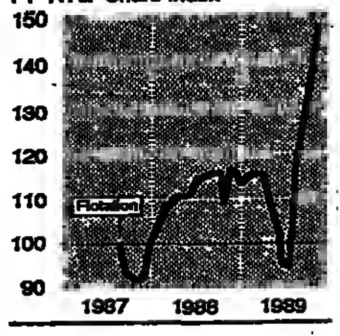
UK equities

At first sight, yesterday's 29 point rise in the FTSE-100 index – the third biggest this year – looks rather encouraging. It has erased 40 per cent of last week's losses and means that despite all the recent gloomy talk, the index is only down 4.4 per cent from its year's high – less than 125 points away from its 1987 record. There are plenty of good economic reasons why the market could head lower; but the market's apparent willingness to ignore them must be unnerving those fund managers still sitting on above average cash levels.

To be fair, yesterday's bounce had far more to do with Wall Street than anything else. Since London has been slavishly following it for months, the fact that London had fallen considerably faster and further than Wall Street meant that unless there was going to be a dramatic break with the past, it was likely to respond to the latter's strong recovery over the last week. That said, yesterday's jump coincided with further signs of sterling weakness. It would be *surprising* if the market moved ahead significantly until the UK Government has shown that it can muddle through its currency problems without wheeling out the interest rate weapon yet again.

Caradon

Share price relative to the FT–A All–Share Index



Labour policy

Mr Kinnock's revamp of the Labour party may be impressing potential voters, but what about the City? Although few can be entirely happy with Mr Lawson's current policies, Labour's alternatives do not appear to inspire confidence. The microeconomic policies are not the problem. Many will grumble at Labour's planned tax increases, but the effective top rate of 59 per cent is one percentage point less than prevailed under the Conservatives for most of the 1980s. And there might be a surprising degree of support for the idea that predators should be required to justify takeovers "in the national interest", as Labour intends.

But the greatest worry will be Labour's stand on inflation. Extra spending on certain items such as new roads might, in the long term, be non-inflationary in the sense of removing economic bottle-necks. In the short term, however, such spending will boost demand, and it is unlikely that any defence cutbacks will match the planned increases in social benefits. Such a Keynesian stimulus to the economy would be likely to come on top of whatever pre-election boom the Tories could engineer and be accompanied by an inflationary fall in sterling, which Labour would take into the EMS at a "competitive rate".

In the run-up to the election, a Labour lead in the polls is thus likely to have two main effects. Sterling will be a one-way bet, especially with the prospect of restrictions on overseas investment; and index-linked gilts will rediscover their popularity.

MB/Caradon

MB's bid for Caradon looks like the penultimate act in the dissolution of the old Metal Box. The company as it stands is a very odd structure: a US cheque printing business, a supplier of baths and radiators to the plumbers of Europe, and a largely passive shareholder in a French-run packaging concern. But *Dr Smith* and his colleagues *have done a sound* and not unimaginative job. They will leave the company with a sensible medium-term strategy and an infusion of top Caradon management, who can doubtless sell off the cheque business in a year or two as they address themselves to the European bathroom of 1992.

Caradon's price yesterday settled at 533p, 17p below the stated value of the offer. This will be partly due to caution over Cazenove's valuation of the convertible, but also to the possibility that the Monopolies Commission will be interested in a merger which will secure around a quarter of the UK market for bathroom fittings. Otherwise, MB looks to be paying a high enough price to ensure that its earnings growth in the next couple of years will be subdued at best. But at around 9 times this year's earnings, the rating is scarcely glamorous; and in any case, the strategy is aimed at the early 1990s or nothing.

Qintex

It is little more than a fortnight away from the second anniversary of the stock market crash, but Australian predators continue to strut across the world's financial markets. The latest example is Mr Christopher Skase's Qintex Australia, whose shares are yielding more than the riskier junk bonds. Last month he outbid Mr Murdoch for MGM/UA and faces hefty financial penalties if he cannot find the money, as is beginning to look increasingly likely. Mr Murdoch is waiting in the wings; but even he must be conscious that his own share price could come under pressure if he made yet another giant Hollywood bid.

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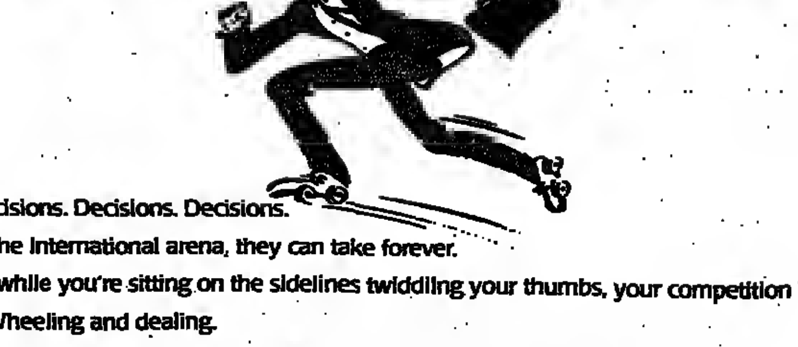

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 4 1989

OVERSEAS MOVING
BY MICHAEL GERSON
01-446 1300

INSIDE

Gold and green fight it out in Australia

Does Australia rip up its countryside or give ground to the increasingly influential "Greenie" conservation movement? This thorny question will be addressed today when the Australian Cabinet meets to consider the future of a large, proven-metals resource worth around A$600m that lies next to the Kakadu National Park, made famous by the film "Crocodile Dundee". Page 38

Exchange of smiles

Israel's economy may be in the doldrums, but there has been no depression at the Tel Aviv Stock Exchange. There is excitement as liberalisation allows more bond issues from private companies, and as the Government plans a privatisation programme that would bring shares in utilities such as the national electric company on to the market. Page 50

Allianz's Mixte future

Any lingering doubts about the commitment of Allianz, West Germany's biggest insurer, to position itself in the European insurance industry for the 1990s should have been dispelled by this week's purchase of a 50 per cent stake in the insurance activities of Compagnie de Navigation Mixte – "La Mixte" – the French industrial and financial holding company. The deal is part of a patchwork of recent agreements between big companies which have been reshaping the map of European insurance. Page 20

Nissan UK supports franchise

Nissan UK has contradicted last week's statements from DC Cook, the USM-quoted motor distributor, which implied that a change in Nissan's franchising policy had badly affected Cook's profits. The Japanese car manufacturer's representative company in the UK said it continued to give full support to its 225 independent franchised dealers and was looking to increase their number. Page 26

Mitsubishi starts London trading

Amidst the controversy surrounding trade with Tokyo, Mitsubishi Corporation begins trading on the London Stock Exchange today. The company is involved in such controversy: it is the centre of a "keiretsu," a group of companies with congenial cross-holdings and great influence in Japanese society, which US trade negotiators argue is a structural barrier to trade. Mitsubishi is after the prestige and "sophisticated investors" that a London listing will bring, according to its president, Mr Shinroku Morohashi (above). Page 22

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
AEG	276	+	17
Daimler	771.5	+	21.5
Hoesch	278.2	+	15.2
Kl'ckner Werke	179.5	+	7.5
Schering	808	+	16
Falls			
Preussag	309	–	6

NEW YORK ($)

Rises			
Boeing	59¾	+	3⅛
Harley-David'n	42⅝	+	3⅝
McCaw Cell A	40½	+	1
Philip Morris	171⅞	+	5⅛
Falls			
Bank of Boston	24	–	2⅝
IBM	105¾	–	2⅜

PARIS (FFr)

Rises			
Eurafrance	2750	+	159.8
Pechelbronn	1738	+	132.4
Truffaut	447	+	31
Falls			
Drouot Ass	569	–	46.8
Eurotunnel	69.5	–	5
La Redoute	3610	–	134.9

TOKYO (Yen)

Rises			
Neigal	1400	+	170
Nippon Seisen	1400	+	170
Teikoku Hmo P	2050	+	300
Falls			
Jujiya	1570	–	100
Nakamaraya	2200	–	150
Nissan Fr & M	4200	–	300

LONDON (Pence)

Rises				Jaguar	599	+	26
BATInds	833	+	17	Klwort Benson	374	+	8
Border TV	60	+	8	Legal & Gen	371	+	8
BP	307	+	5	Morgan Grenfell	370	+	13
Caradon	533	+	45	Nat Telecom	112	+	11
Comm Union	457	+	6	Pearl	646	+	7
Costain	326	+	9	Racal Elec	237	+	10
Enterprise	599	+	13	Warburg (SG)	432	+	12
GEC	245	+	6½	Whitbread A	381	+	11
Glaxo	1479	+	15	**Falls**			
Grand Met	598	+	20	Audio Fidelity	30	–	5
Heath (CE)	483	+	10	Eurotunnel Uts	600	–	50
ICI	1247	+	10				

McCaw offers $1.9bn in NY telephone deal

By Roderick Oram in New York

MCCAW Cellular Communications agreed yesterday to pay $1.9bn for half a New York City cellular telephone franchise, greatly complicating the fight among big players which are trying to consolidate their service territories.

McCaw, based near Seattle and 22-per-cent-owned by British Telecom, said it will buy from Metromedia a 45.67 per cent equity interest and 50 per cent voting interest in one of the two New York City licences. The price works out at $275 per head of population in the licence area – a record in the escalating scramble for territories.

McCaw also agreed to sell for $1.3bn its interests in 13 markets in Alabama, Kentucky and Tennessee, covering 6.1m people. Contel Communications is paying $305 "per pop", well above previous prices for middle tier markets.

However, the New York deal hinges on whether Metromedia's partner in the franchise, LIN Broadcasting, will exercise its right of first refusal to the stake within 45 days.

McCaw launched a $5.5bn takeover offer for LIN in June, as it needed LIN's cellular licences in New York, Los Angeles, Dallas, Houston and Philadelphia to create a national network and consolidate its position as the biggest company in terms of population in its licence areas.

LIN rejected the offer – which is still outstanding – and is proposing instead to merge its cellular interests into a joint venture with those of BellSouth, the largest regional wire service telephone company in the US.

Analysts said yesterday that McCaw might be using the Metromedia deal to disrupt the BellSouth/LIN merger. This is because, if LIN exercises its right in New York, it will have to renegotiate its deal with BellSouth. This year LIN has already tried to buy the Metromedia stake.

McCaw's $110-a-share bid for LIN expires on October 13, but most analysts believe McCaw must improve its offer to stand any chance of success. McCaw also needs to buy time, and LIN's support, because its offer is hampered by LIN's "poison pill" and no regulatory takeover approval.

LIN did not comment yesterday on whether it would exercise its purchase right in New York. If it did not, the LIN/BellSouth joint venture would share the licence with McCaw. The other licence in the city is held by Nynex, the local wire service company.

"On the face of it, the Metromedia deal doesn't make the most strategic sense for McCaw," said Mr Sal Muoio, an analyst with Gabelli & Co. "Dallas, Houston and Los Angeles are more important to them than New York." If, however, McCaw fails to win control of LIN, it might still get a half stake in New York as a consolation prize.

Daimler launches DM1.9bn cash call

By Haig Simonian in Frankfurt

DAIMLER-BENZ, the West German industrial conglomerate, has announced details of its long-awaited DM1.9bn ($1bn) rights issue.

The issue will help to pay for the purchase of Messerschmitt-Bölkow-Blohm (MBB), the German aerospace group, and finance continuing research and development.

The one-for-10 issue, raising the group's nominal capital by DM212m to DM2.33bn, will be open from November 7 to November 17. New shares will be priced at DM460 each and will be entitled to the full 1989 dividend.

Daimler gave notice of the impending capital raising last month, when it announced a 1 per cent fall to profits of DM830m for the first half of the current year.

The rights issue has focused attention on the plans of Deutsche Bank, which owns just over 28 per cent of Daimler's equity.

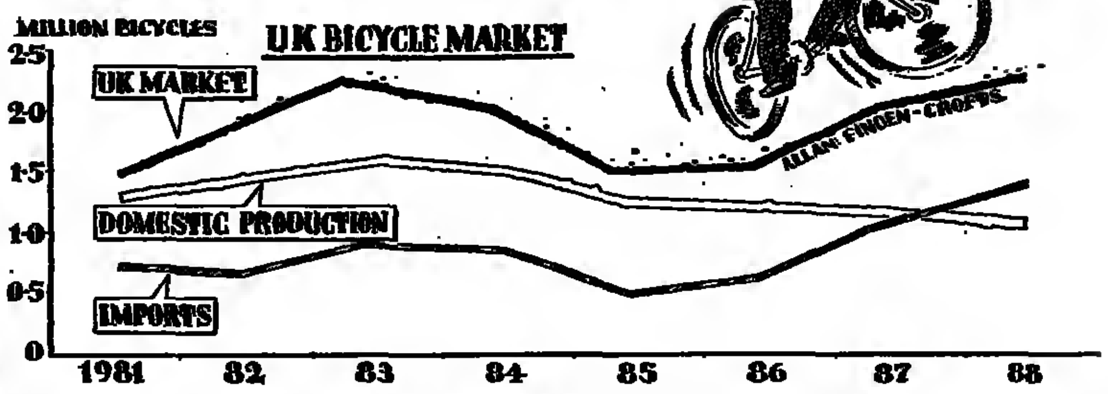
The bank said yesterday it would take up its full rights at a cost of around DM540m. The decision is likely to exacerbate criticism in Germany of the large industrial holdings owned by some banks.

Daimler shares rose by DM21.50 to DM771.50 in Frankfurt yesterday.

Meanwhile, shares in AEG, in which Daimler owns the majority of the shares, jumped DM17 to DM276 on rumours of a sale of its marine technology division.

Flat out in pursuit of the yellow jersey

Nick Garnett looks at how Raleigh's agreement to buy Peugeot Cycles fits with its global ambitions



It is out to recapture former glories. Only three years ago Raleigh, the British bicycle group, seemed to be facing commercial oblivion after years of heavy losses. But now, says the manager of one of its European rivals: "I think it wants to become the biggest bike company in the world."

In 1987 Derby International, a company set up by a small group of investors headed by an American, Mr Edward Gottesman, purchased Raleigh from TI Group, a leading UK engineering company, for £18m ($28.8m). It also shouldered Raleigh's heavy debts. Nevertheless, a year later the company powered back to profit – its first for a decade – making $900,000 pre-tax on sales of £55m. And it is now in very acquisitive form.

Last month it announced agreement in principle to buy the bicycle interests of Peugeot of France. The deal will not make Raleigh the world's biggest bike producer, but it helps to consolidate the group's position as the largest cycle maker outside the Far East – a position it has taken through a spate of acquisitions in the last 18 months.

Last year Derby acquired Kalkhoff, a loss-making family business in Cloppenburg, West Germany, which ranks alongside Hercules as the second biggest German bike producer behind Kynast.

Derby also repurchased the Raleigh Cycle Co in the US, a company TI had sold in 1982 to Huffy, North America's largest bicycle maker. This gave Derby a production plant at Kent near Seattle. Then last year it bought a substantial wholesale and distribution business based in Los Angeles.

The purchase of Peugeot Cycles will give Derby a production plant outside Paris, an outstanding brand name in Europe and a substantial boost to its production volumes. Peugeot Cycles makes 650,000 bikes and has a further 300,000 made under licence.

Before the talks with Peugeot, a car group keen to get out of loss-making cycles, Derby was producing 2.5m units a year. A further 2.1m are made under licence. Kalkhoff makes 500,000 bikes a year from a plant with a capacity of 800,000.

When Derby bought Raleigh, it picked up former long-standing TI businesses including cycle production plants in Canada, Nigeria and South Africa, as well as the Gazelle bicycle company which makes a broad range of models at Vieren, Holland. In Nottingham, where the Raleigh story began in Raleigh Street 102 years ago, Derby now makes about 900,000 bikes.

Derby's expansion was spearheaded by Mr Alan Finden-Crofts, head-hunted from conglomerate BTR to become Derby's chief executive and a major shareholder alongside three Americans who set up Derby as a vehicle to buy Raleigh.

The rapid turn-round in Raleigh's fortunes under Derby is a sad commentary on its stewardship under TI, which has itself been restructured in the past two years and emerged much the better for it.

One insider who worked for the old TI says that Raleigh's poor performance under the engineering company was partly due to "managerial incompetence," typified by a computerised production system which consistently failed to deliver the right parts to the assembly line at the right time.

By contrast, Derby International has a more focused, market-orientated strategy which takes account of the bicycle having become something of a fashion accessory with the arrival of the brightly painted, 21-speed all-terrain mountain bike for the cruising poseur. It is also investing heavily to achieve its goals.

However, the scale of the challenge it faces means that success will not be easy. British industry's overall performance in consumer goods has been miserable, especially when it has become embroiled in a fierce global war with Far Eastern producers, led in the bicycle business by Taiwan.

Raleigh's new managers have been forced to compromise with the Far East. The company takes some complete bikes from Asia – but only 20,000 this year, says Mr Sandy Roberts, the managing director of Raleigh in the UK and one of the few survivors from the days of TI ownership. It also buys many components outside the EC. Although it makes most of its frames in Britain and takes some gears from its Sturmey Archer subsidiary in the Midlands, the total EC content of its bikes by component value is just 63 per cent. This is perhaps understandable when the technology of the world's bike industry is being driven by component makers headed by Shimano, the Japanese company with a huge £250m turnover in items such as gears.

Derby, which has no offices or central staff, is not just expanding in the bicycle industry – it snapped up fine china producer Royal Worcester Spode from London International last year, a purchase that Mr Finden-Crofts says fits in with the company's aim of managing leading brand names. But it is concentrating on bikes.

Size comparisons are not easy in the cycle industry. But Derby appears to be larger than Kynast and Bianchi-Piaggio, the largest Italian bike group which bought the cycle interests of Puch of Austria last year.

It also claims to be significantly larger than Huffy, and the Japanese bike makers such as National. Taiwan manufactures 12m bikes a year, but from a diverse group of producers, and Mr Roberts claims that Raleigh is bigger than the leading Taiwanese brand maker, Giant.

It remains much smaller than Chinese bike producers such as the snappily named group Shanghai Factories One to Six, which produces more than 15m units a year, mainly of the Phoenix brand.

Mr Roberts, who has worked for Raleigh since 1960, testifies to the positive changes at Raleigh since it was bought by Derby. Some £5.3m is being spent on new equipment and reorganisation at Nottingham, part of which has been raised by the sale of 20 acres of Raleigh's sprawling 64-acre site.

Derby runs its bike businesses as separate entities, though Kalkhoff now puts some Raleigh machines down its line. Peugeot Cycles will be run autonomously. In the UK, where it has 6 per cent of the market compared with Raleigh's claimed 39 per cent, it will retain its own marketing and distribution.

Mr Roberts says the big issue facing Raleigh remains Far East competition. Last year there were 370,000 Taiwanese imports to the UK; those from Hong Kong and China more than doubled to 270,000 and will be up a further 10 per cent this year; and Thai and Indonesian makers sold 71,000 bikes in the UK in 1988 from a base of virtually zero. That is one reason for diversifying, as Derby has done, into other geographic markets.

BAe tracks Ferranti share trade

By Terry Dodsworth in London

BRITISH Aerospace, the UK's largest manufacturing group, is believed to have acquired a stake of at least 2 per cent in Ferranti yesterday when shares in the beleaguered electronics group resumed trading after a three-week suspension.

Ferranti's shares opened in the middle range of market expectations at 48p, rising in heavy trading to 55p, valuing the company at £410m ($656m). This compares with this year's high point for the shares of 113.5p, and is down on the suspension price of 73.5p. About 115m shares were traded, the equivalent of 15 per cent of Ferranti's equity.

BAe refused to confirm or deny suggestions that it was building a stake in Ferranti. But it said it was watching the share movements, and confirmed that Hoare Govett, the broking and market-making group, was one of its stockbrokers. Hoare strongly led dealing throughout the day.

Analysts thought BAe was more likely to be interested in having some influence over Ferranti's future than in making a bid for the company, at least in the near future. BAe, which has a substantial defence electronics division with sales of abont £470m, uses many Ferranti components in its products.

The full extent of Ferranti's problems remain unknown following the disclosure that it will write off £185m against a suspected fraud.

The company is expecting a report on several suspect contracts from the accountancy firm Coopers & Lybrand in the next few days. It is not planning to publish this, but will use the information to help prepare new accounts for presentation to a delayed annual general meeting next month. Ferranti's already adjourned AGM, scheduled for early next week, will be postponed again to allow time to redraft the annual report and accounts.

Following the strength of trading yesterday, there was speculation that a bidder might emerge before the figures are made public. But analysts believe that the list of potential predators is limited by monopoly considerations in the UK, several big defence companies being currently involved in takeovers, and Ministry of Defence reservations about some foreign companies.

For example, Thomson of France is believed to be interested in Ferranti, but is opposed by the UK Government because it is a nationalised company. Both Daimler-Benz and Siemens of West Germany are in the midst of absorbing newly acquired defence companies.

Lex, Page 18; Market report, Page 39

MB pays £338m for Caradon

By Andrew Hill in London

MB GROUP and Caradon, of the UK, are to bring together their strong building product brand-names in an agreed deal which values Caradon at about £338m ($541m).

Two years ago, when Caradon came to the stock market, it was worth some £134m. MB is giving the key members of Caradon's management team top positions in the merged organisation.

Mr Peter Jansen, Caradon's deputy chairman and chief executive, who led the £61m management buy-out of the group from Reed International four years ago, will become chief executive of MB. Mr Murray Stuart, MB's current chief executive, will be executive chairman, replacing Mr Brian Smith, who is to retire.

Mr Smith said yesterday: "This is one of the most interesting and most important deals for the group this year. [Caradon] was a company we identified over 18 months ago and we actually structured ourselves and our management team to make the deal possible."

MB is adding well-known names like Twyfords bathroom products, Mira showers, and Everest double glazing to its ownership of Stelrad central heating and bathroom products.

The enlarged group will have annual sales of about £700m, 75 per cent of which will come from bathroom and building products. The balance will come from security printing. In April, MB – formerly Metal Box – merged its packaging interests with those of Carnaud, the French packaging group.

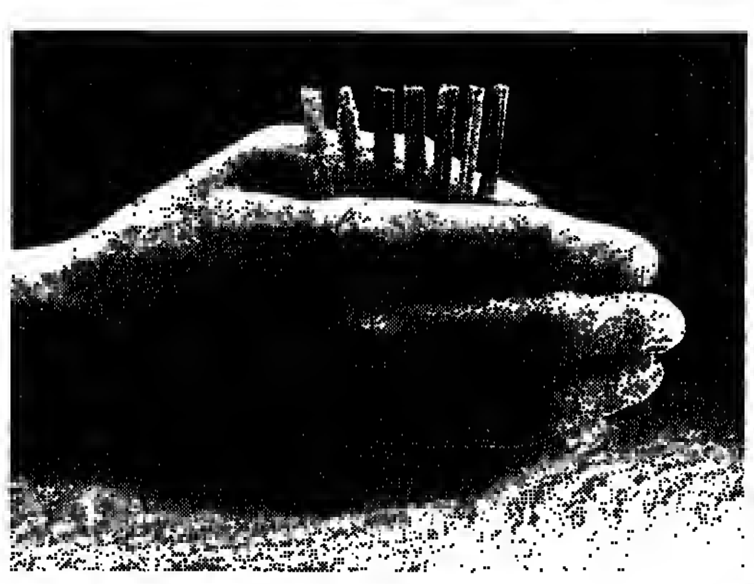
MB went on to boost its security printing interests with the $300m acquisition last month of ABS Holdings, a US cheque-printer.

Caradon estimated yesterday that in the six months to October 1 it had made £17m before tax, generating earnings per share of 18p, compared with £15.4m and 17.2p in the equivalent period. It said it intended to declare an interim dividend of 4p for the period. MB is offering £11 in cash or loan notes, and 11 convertible preference shares for every four Caradon shares held. It has already received acceptances representing nearly 36 per cent of Caradon's equity.

The offer is worth 550p per Caradon share, against yesterday's closing price of 533p, up 45p. MB's shares rose 2p to 208p.

To keep gearing down to about 24 per cent, MB is also planning to place $150m of new preference shares with US investors, and to revalue its CMB stake, which is in the group's books at the listing price of £220m, compared with the current market value of more than £400m.

Lex, Page 18



Success does have its problems. With the Black Country's manufacturing output growing daily, there's an ever-increasing need for people with new skills.

Along with foundrymen, metallurgists. Along with accounts clerks, economists. Along with draughtsmen, CAD/CAM designers. Along with typists, VDU operators. People who are at home with high technology to meet the world's demands for superior products.

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The Black Country Development Corporation is planning to spend £1.5 million over three years to assist skills training in its area.

It will help to create 'compacts' between businesses, schools and colleges, to enable local firms to recruit a trained workforce, and to aid local unemployed people in finding work.

It will fund training agents to target specific skill shortages, and match the needs of local companies and residents.

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Bouygues acquires 50.3% of flour milling group

By William Dawkins in Paris

BOUYGUES, one of the world's largest construction and civil engineering groups, yesterday paid FFr1bn ($157m) for a controlling 50.3 per cent stake in Grands Moulins de Paris, France's biggest flour milling group.

The surprise deal is Bouygues' biggest diversification since its controversial acquisition of a 25 per cent stake in TF-1, France's oldest television network, for FFr1.5bn two years ago.

It comes as the outcome of a lingering dispute between the food company's family shareholders, who have now sold most of their stake in the company. It is also the first big takeover under the new chairmanship of Mr Martin Bouygues, who succeeded his father, Francis, last month. Bouygues is offering FFr1,400 per share for the rest of Les Grands Moulins. This is a 33.3 per cent premium over the last market price, before dealing in the food group's shares was suspended last week in the wake of intense speculation that the dominant family shareholders wanted to sell.

The takeover price places a value of FFr1.78bn on Grands Moulins de Paris. It has an annual turnover of FFr4bn in production of flour and animal feed, mainly in the US and French-speaking Africa.

Bouygues was attracted by the chance to invest in a new and important sector, in a company which would benefit from its own management improvements, it said.

The deal was arranged over the weekend, after Mr Bouygues was contacted on Friday by the family shareholders of Les Grands Moulins de Paris, the construction group said.

Mr Jean-Louis Vilgrain, former president of the food group, who had been seeking majority control against the resistance of other shareholders, has been replaced by his cousin, Mr Francis Vilgrain, elected at a board meeting yesterday.

The new Grands Moulins de Paris president retains some shares, but the sale otherwise brings an end to involvement by the Vilgrain family, who founded the group in the 1920s.

The remaining big investors are Navigation Mixte, the diversified food, financial services and insurance group, with 10 per cent, Grands Moulins de Paris' staff, with 7 to 8 per cent, with the rest owned by the public.

PWA to drop Wardair name

By Robert Gibbens in Montreal

PWA, THE parent of Canadian Airlines International, Canada's second largest airline, has decided to phase out its Wardair subsidiary as a separate entity this autumn.

Wardair, saved from financial collapse by PWA in April, will be merged with Canadian Airlines, the domestic and international rival of Air Canada. The merger is a sign that PWA has not been able to stem heavy losses at Wardair.

Wardair was a highly successful charter operator which moved into scheduled service two years ago. But overcapacity in the domestic market was a debilitating factor.

PWA's Canadian Airlines gained European destinations by taking it over.

About 1,000 workers have already been laid off at Wardair, as it began to share some ground services with Canadian Airlines. Further big layoffs among its 3,500 remaining workers will follow.

Some or all of Wardair's airbus fleet will be put up for sale, and possibly its 747s, say industry sources.

Recent traffic statistics have shown Canadian Airlines and Wardair together have persistently been losing market share to Air Canada during this summer. PWA's associate airlines in Quebec, InterCanadian, is breaking its ties with Canadian Airlines and plans to go it alone.

Industry reports persist that American Airlines will buy a 25 per cent interest in Inter-Canadian, coupled with a service and route sharing agreement covering eastern Canada and the north east US. Inter-Canadian, a merger of several smaller regional airlines, has also had growth problems.

Alcan to expand US aluminium mill

By Robert Gibbens in Montreal

ALCAN Aluminium, the Canadian aluminium group, says US$280m will be spent to expand its jointly owned Logan Aluminium rolling mill in Kentucky.

Most of the project, due to start in 1992, will be financed by Alcan, although Logan is owned 60 per cent by Atlantic Richfield and 40 per cent by Alcan.

Alcatel teams with Italtel

By William Dawkins

ALCATEL, the French telecommunications equipment maker, has teamed up with with Italtel, its publicly owned Italian counterpart, to produce mobile telephones in Italy.

The pair signed a co-operation agreement in Paris yesterday, under which Alcatel Face, the French group's Italian subsidiary, will develop with Italtel a 900mhz digital cellular radio telephone, under European standards. It will be able to link up with both Alcatel's system 12 and Italtel's Linea UT switching systems. Italtel is Italy's largest producer of telecommunications equipment.

Alcatel expects to win about 160,000 clients by 1991. Sales will be confined to the Italian market at first, though the agreement "is also open to future technical and commercial extensions," said Alcatel.

NEWS IN BRIEF

Investors rush into Alianca

INVESTORS RACED to grab shares in Alianca Seguradora, a leading Portuguese state-owned insurance company, in the Government's third successful partial privatisation of a state-owned company, AP-DJ reports.

Mr Miguel Cadilhe, Finance Minister, said he was very pleased with the results of the part-privatisation of Alianca. The sale of almost 1.5m shares, 49 per cent of the company's capital, brought the Government some Es7.1bn ($45m).

As in previous sales, only 10 per cent of available shares in Alianca – less than 5 per cent of the company's total capital – was open to foreign investors. Nevertheless, there were reports of strong foreign interest in the sale, with the French company Union de Assurances de Paris leading the international bidding.

■ **Hafnia Holding** of Copenhagen reported first-half group net profit of DKr174m ($23.9m), down sharply from DKr250m in the 1988 period. Group net capital was DKr6.10bn at the end of the first half against DKr4.45bn *a year earlier, Reuter reports.*

Hafnia, formerly Hafnia Invest and converted to holding company structure in May, said the latest result did not include the £90.6m ($146.7m) purchase of the British insurance and finance group Prolific Group.

■ **Fireman's Fund Insurance** said it estimated the financial impact of claims caused by Hurricane Hugo at about $35m to $40m pre-tax for Fireman's Fund Corporation. The company's brief statement said these losses were net of reinsurance recoveries, Reuter reports.

■ **Stefanel**, the Italian sportswear maker, said its first-half consolidated net profit declined from L16.7bn to L15.5bn ($11.4m). Consolidated operating profit was L22.5bn, up 5.5 per cent, and turnover was L138.6bn, up 10 per cent.

Stefanel said the fall in net profit was due to higher tax payments. Full-year turnover was expected to rise 15 per cent, with a similar rise for full-year operating profit.

Allianz insures its place in Europe

Haig Simonian and George Graham on cross-border stake building

Any lingering doubts about the commitment of Allianz, West Germany's biggest insurer, to position itself in the European insurance industry for the 1990s, should have been finally dispelled this week.

For it this week purchased a 50 per cent stake in the insurance acitivies of Compagnie de Navigation Mixte – "La Mixte" – the French industrial and financial holding company. The deal is part of a patchwork of recent agreements between big companies which have been reshaping the map of European insurance.

In recent months, Generali, Italy's biggest insurer, has allied itself with Axa-Midi in France, while Groupe Victoire, the leading French insurer, has bought a large stake in the German Colonia group.

Allianz has been among the forerunners of the process. It started buying into Riunione Adriatica di Sicurta (RAS), Italy's second biggest insurer, in stages from the mid-1960s, before taking control of Cornhill, the UK insurance group, in 1986.

It has been some years since La Mixte, Allianz's latest partner, had anything to do with navigation. Founded as a ship*ping company in the 19th* century, the group is very definitely "mixte," with a portfolio of interests ranging from Fichet-Bauche, the leading European locksmith, and Brinks, the security company, to Saupiquet, one of the largest French producers of canned foods, or the Venoge champagne brand.

Insurance has been the largest part of the group's activity, accounting for nearly 40 per cent of its FFr18bn ($51bn)turnover last year, and an estimated FFr350m of its FFr810m consolidated net profits.

However, Mr Marc Fournier, Navigation Mixte's pugnacious chairman, appears ready to withdraw from management control of his insurance interests, in order to ensure he stays in command.

The *principal* insurance company is Via Assurances – the same Via name is used for some of Navigation Mixte's banking activities – but the gronp has been built up through the acquisition of a string of smaller companies, most recently Rhin et Moselle.

This highly profitable subsidiary made net earnings of FFr115m last year on premium income of FFr1.3bn, and with a number of alliances in Switzerland and West Germany, where it has formed a partnership with Württembergische.

Faced by the recent upheaval in the French insurance sector, however, Navigation Mixte has come to appear increasingly small and vulnerable. The group had been left behind by the wave *of acquisitions and alliances* that has, during the last 18 months, brought a new degree of concentration to French insurance.

While private-sector insurers like Axa and Group Victoire have been busy aligning themselves, the state-owned insurers have not been idle.

Union des Assurances de Paris (UAP), the largest, has not only teamed up with the state-owned bank BNP to exchange banking and insurance products, but has bought a substantial stake in Sun Life of the UK.

But the second largest state group, Assurances Générales de France (AGF), is beginning to look like the odd man out. In the stock market struggles around Navigation Mixte over the course of the summer, it once again appears to be the loser, with a stake of more than 5 per cent in the parent company, but now no prospect of laying its hands on the group's insurance activities. However, it would be an exaggeration to say AGF has missed the boat. It has taken 50 per cent of MAA in Italy and 27 per cent of Assubel in Belgium, and has built what some other insurers regard as an effective European network, but the big deals have escaped it.

Once again, it is Allianz, which won *RAS* in *Italy* when AGF failed to get the French government's approval for such a large acquisition, which has pipped it. But setting up a new jointly owned insurance *operation* with Navigation Mixte is probably not the last step in Allianz's ambitions to achieve in neighbouring European countries the near-dominance it has long-since gained at home.

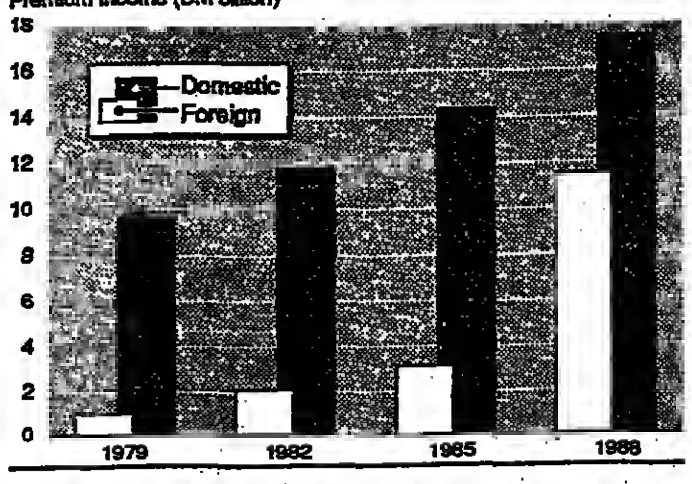
Together with Allianz's existing French operations, the combined group should have around 3 per cent of the French insurance market, and catapult Allianz from around 20th in the business well into the top ten.

With group premiums of DM29bn ($15.5bn) last year, Allianz is already Europe's biggest insurer. While German business still accounts for the lion's share of its premiums, the foreign proportion has been rising steadily, and is now responsible for some 39.4 per cent of the total.

The new joint venture in France will help to raise total premiums to about DM31bn this year, taking only 50 per cent of the French group's business, and will push the share of foreign business at Allianz up further to about 42 per cent.

Allianz

Premium income (DM billion)



In some respects, Allianz's determination to become a major force in insurance across western Europe resembles the policy of Deutsche Bank, Germany's biggest bank, with which Allianz is often compared, to do likewise in retail *financial services.*

But Allianz's approach differs in more than its lower-key style. The latest deal confirms its belief in its core insurance business.

Despite its stakes in a number of German financial institutions, of which its roughly 23 per cent holding in Bayerische Hypotheken-und Wechsel-Bank (Hypobank), the Munich-based bank, *is the most conspicuous,* it has conspicuously resisted the trend towards "Allfinanz" – wide-scale finanical services under one roof.

If insurance is to remain very much Allianz's business, where else might it be looking for growth? Switzerland undoubtedly stands near the top of its list, although Mr Wolfgang Schieren, Allianz's chief executive, is fully aware *of the difficulties in breaking* into that market.

Elsewhere in Europe, it is now more a question of achieving a better balance between different lines. Allianz is already very strong in industrial insurance in the Dutch market, but would like to boost its presence in private lines.

Meanwhile, in spite of the Cornhill acquisition, the group would probably not turn down the chance to buy a well-run and well-reserved life operation if the price were right.

But Allianz does not see *itself as a white knight for* Pearl, the UK life group currently subject to a hostile bid from the Australian Mutual Provident gorup.

Allianz has already taken steps in Spain, where its acquisition of Ercos has boosted its presence in the industrial market. Meanwhile, in private lines, the group has taken a small stake in Banco Popular, along with Hypobank.

Allianz is still waiting for regulatory approval for its plan to set up a life insurance operation with the bank, while the pension fund joint venture set up between Banco Popular and Hypobank is already steaming ahead – mnch like its new link with Navigation Mixte.

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INTERNATIONAL COMPANIES AND FINANCE

'Fraud and embezzlement' uncovered at Petra Bank

By Lamis Andoni in Amman and Andrew Gowers in London

AN OFFICIAL investigation into Petra Bank, Jordan's third largest financial institution, has uncovered large-scale fraud, including embezzlement and violations of Jordanian foreign exchange laws, according to Dr Mohammad Said Nabulsi, governor of the Central Bank of Jordan.

In his first detailed public comments on the affair since the authorities used martial law to take over Petra Bank and the smaller Jordan Gulf Bank on August 3, Dr Nabulsi said in an interview that preliminary inquiries had exposed "a host" of illicit transactions in Jordan and abroad.

Well-informed bankers estimate that the group of banks and companies built up by Mr Ahmad Chalabi, Petra's Iraqi owner, may have accumulated losses of more than $250m within and outside Jordan.

This reflects the liquidation of two banks owned by the Chalabi family in Switzerland (Mebco Geneva, a subsidiary of a related bank in Lebanon, and Socofi), as well as money required to cover foreign liabilities, missing accounts and fictitious assets owned by Petra Bank and its Washington subsidiary, Petra International.

Dr Nabulsi, who has just returned from examining the Petra group's affairs in Washington, Zurich and Geneva, confirmed that the Jordanian Government will continue supporting the bank until the current audit is complete.

The authorities have placed the affairs of both banks in the hands of a new management committee and have said they are considering legal action against Mr Chalabi, who left Jordan soon after the bank was taken over and is now believed to be in the Far East.

Dr Nabulsi said legal action would be vital to restore the integrity of Jordan's banking system.

Last week, in a telephone call to the Financial Times from Bangkok, Mr Chalabi defended himself at length against the Government's charges. He denied that his bank was in danger of insolvency at the time of the takeover.

Mr Chalabi says the bank's current problems were triggered by the authorities' summary action in taking it over, followed by what he says was their disavowal of some of its foreign liabilities.

Mr Chalabi has engaged the legal services of Mr Caspar Weinberger, the former US Defence Secretary, to assist in sorting out the affairs of the Washington subsidiary. He alleges that the Jordanian authorities have already spent JD150m ($224m) and $50m on supporting the bank, and may have to pump in a further JD100m in the next six months.

Petra's owner has not been alone in criticising the authorities' invocation of martial law in the takeover of Petra Bank. But Dr Nabulsi defended the decision on the grounds that normal legal proceedings would have taken too much time in the midst of a financial crisis.

The governor revealed that the takeover was based on a central bank report showing that Petra had exceeded legal lending ceilings, opened branches without official approval, failed to submit its accounts to the Central Bank within the statutory period of three months after the end of its financial year, and failed to comply with a request to deposit 35 per cent of its foreign currency reserves in the Central Bank.

"We had to intervene to contain the problems and pre-empt the triggering of a chain reaction in the banking sector," Dr Nabulsi said.

The Central Bank is now trying to settle Petra's foreign liabilities, which stem from its Washington subsidiary and from its Visa card operation. Dr Nabulsi says about $5m is owed to Visa International. There have also been disputes with Bank of Tokyo and with the US Federal Reserve about outstanding sums.

Locally, although the Central Bank believes it has been able to limit the damage by taking control of the bank, the full problem has yet to unfold. This involves loans extended beyond legal limits and shares that Mr Chalabi is said to have built up in around 50 Jordanian companies, either through Petra or other investment vehicles.

Mr Chalabi is also accused of having bought property in Jordan and the US in the name of Petra Bank but to have registered it in the names of his relatives.

Mr Chalabi acknowledges that the authorities had been in touch with Petra earlier this year to express concern about its loan portfolio and its investments in Jordanian companies. But he says that the two sides had agreed on a two-year plan to resolve these problems prior to the takeover.

USX to sell gas and oil reserves

By Anatole Kaletsky in New York

USX, the Pittsburgh-based steel and energy group, is seeking a buyer for roughly one-quarter of its US natural gas reserves and a small portion of its oil holdings.

The group announced on Monday that it was soliciting bids for the oil and gas reserves of Texas Oil & Gas Corporation, a company it acquired in 1986 for about $3bn.

Texas Oil's reserves consist of about 1,200bn cu ft of natural gas and 28m barrels of oil, located in Texas, Oklahoma, Arkansas, Louisiana, Colorado and Kansas. The sale of Texas Oil's holdings would leave USX with substantial reserves through its main energy subsidiary, Marathon Oil. Marathon owns about 3,800bn cu ft of gas and 786m barrels of oil.

Analysts said they expected the sale of Texas Oil's reserves to yield far less than the $3bn that USX paid for the company three years ago.

Low natural gas prices have hurt Texas Oil's performance since that acquisition and, in spite of the gradual decontrol of gas marketing, Wall Street analysts put the probable value of the company's reserves at between $1bn and $1.5bn. USX did not say what it planned to do with the proceeds of the Texas Oil divestment.

USX has been mentioned as a candidate for radical restructuring, including a possible break-up into its component steel and energy units.

Mr Carl Icahn, the leading Wall Street takeover specialist and corporate raider, has owned 11 per cent of the company for the past three years.

Motorola and Cray to cut jobs

By Roderick Oram in New York

MOTOROLA and Cray Research have both announced staff cuts, underscoring changing conditions in the US electronics and computer industries.

Motorola said it will seek some 2,500 voluntary redundancies, mainly salaried employees, from selected areas of its 105,000 strong workforce.

It did not spell out which lines of business would be affected. The company is enjoying robust growth for its cellular telephone products but parts of its semiconductor business are softening, analysts said.

The reduction will result in a third-quarter pre-tax charge of $45m. It had reported pre-tax earnings of $214m in the second quarter ended June, up sharply from $172m a year earlier. At the net level, earnings per share were expected to fall from $1.18 in the second quarter to below 80 cents in the third, analysts were forecasting before Monday's job cuts announcement.

Cray Research, the struggling supercomputer maker, said it was reducing its 5,400 workforce by 400.

The reduction will result in a costs of about $3m which will be incurred this year.

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CHASE

October 4, 1989

Steinberg pulls out of the red

STEINBERG, a large eastern Canadian food distribution and real estate group, subject of a bitter year-long takeover battle, has reported a net profit of C$55.1m (US$46.7m) or C$2.21 a share for the year ended July 31, a dramatic turnaround from a C$12.9m loss a year earlier, writes Robert Gibbens.

Revenues dipped 3 per cent to C$4.5bn, mainly due to disposals and store restructuring.

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March 1989

Mapfre will use rights to strengthen subsidiaries

By Diana Smith in Madrid

CORPORACION MAPFRE, the listed arm of Spain's ambitious Mapfre insurance group, plans several pioneering steps in its bid for leadership when the full freedoms of financial service deregulation and the establishment of the EC single market hit Spain in 1993.

With net 1988 income of Pta3.4bn ($28m) and capital reserves of Pta20bn, Corporacion Mapfre plans to make its fifth successive annual rights issue this autumn, to raise more than Pta13bn. Its aim is to build up the muscle of some of its leading subsidiaries.

Thereafter, the corporation plans to float the shares of selected offshoots such as Mapfre-Vida life insurance and Banco Mapfre to give subsidiaries easier access to financial markets.

As part of the build-up, much of the proceeds of the autumn's rights issue will be pumped into Corporacion Mapfre's bolder ventures. "A lot of money for us to ask from our shareholders, but the funds will be usefully applied," says Mr Domingo Sugranyes, general manager.

These ventures include 20-year-old Mapfre-Vida, which had assets of Pta140bn and six-month premiums of Pta27bn at the end of the first half. This unit is marketing its new products in a market where competition has become more ruthless and where new individual or corporate pension funds, officially conceived as a stimulus for savings and investment, have not yet caught on.

The market leader in individual life premiums, Mapfre-Vida is one of only two independent Spanish life insurance companies. It enjoys an 11 per cent return on investment, compared with 9 to 10 per cent for bank-owned companies, and had Pta10bn of investment income in the first half of 1989 – Pta2.3bn more than the first half of 1988.

Thirty per cent of its investment is in a booming real-estate sector. Mr Fernando Marino, Mapfre-Vida's chairman, anticipates a successful flotation in 1991 or 1992, as a "healthy, growing company."

Banco Mapfre is another candidate for flotation sometime after its start-up in January. It is building up its equity funds to Pta15bn-Pta18bn and will add to its existing three branches at the rate of five to eight a year until the whole of Spain is covered. The three branches were inherited from a deal with Banco Herrero of Oviedo.

The only Spanish bank owned by an insurance company – usually banks own insurance companies – Banco Mapfre plans to serve families and small savers. In some cases it will operate from Mapfre's insurance offices, thus providing an extended range of financial and insurance services.

Aside from helping these two candidates for eventual flotation, Corporacion Mapfre's capital increase will boost funds for its Belgian offshoot CIAR (Compagnie Internationale des Assurances et Reassurances). CIAR doubled its equity funds in 1988 to BFr950m ($24.17m) to intensify its reinsurance operations.

The rights issue will also help boost a new Italian venture in association with Reale Mutua and new Latin American insurance ventures as well as non-life insurance companies outside Madrid.

In the wake of the restructuring of Spain's insurance market, which began in 1985 when more than 200 undercapitalised companies were weeded out and shut down, ambitious organisations such as Mapfre are seeking not so much to beat as to join forces with sophisticated EC partners in the run-up to 1992.

On September 12, Mapfre-Indosuez Brokers was set up – the only stock market broker in Spain to emerge from association between an insurance company and an EC bank.

The new venture is an attempt, in a fiercely-competitive, and some say overcrowded, market to place mutual funds, money market or fixed income instruments with institutional or individual investors in Spain and abroad.

Mapfre-Indosuez hopes to drum up trade from Japanese and other big institutional investors in London, using the insurance company's long-standing contacts there.

Mr Victor Bulto, Mapfre-Indosuez's general manager, feels his new company can not only survive the inevitable post-1993 wastage but move to the forefront of the market.

He cites as assets the link-up with Mapfre's 1,500 insurance outlets, Indosuez's large international network and Banco Mapfre's expanding branch network, where customers will be offered a cross-section of insurance and financial products.

Dutch banks go to the altar

Laura Raun reports on today's merger of NMB Bank and Postbank

As NMB Bank and Postbank go to the altar today in the biggest bank marriage in Dutch history they will begin the task of merging NMB's entrepreneurial spirit with Postbank's more civil servant-minded culture.

The first significant step in the journey will be the privatisation of half of the Dutch Government's 49 per cent stake in the newly merged NMB/Postbank, which could take place next month.

The Fl 1.25bn ($1.12bn) international offer of 22.5m shares would rank as the third largest flotation in the Netherlands and give investors a rare chance to buy a new financial institution.

NMB/Postbank aims to pursue a single corporate strategy of full-range commercial banking with one board but two complementary formulas.

Postbank, a government-owned bank, will continue its home-banking services and NMB, the third largest commercial bank, its personal-service approach.

"The two banks complement each other excellently, with little overlap," said Mr W.E. Scherpenhuijsen Rom, chairman of NMB, and Mr G.J. van der Lugt, chairman of Postbank, in February.

A dominant position in The Netherlands with a relatively cheap funding base is supposed to finance international expansion. With combined assets of Fl 163bn NMB/Postbank will rank fourth among Dutch banks.

Looking ahead to the barrier-free Europe after 1992, the banks hope their combined forces will arm them for stiffer competition.

But it remains to be seen whether Postbank's massive client base and payments clearing system can be successfully harnessed to NMB's dynamic management and market niches. Their corporate cultures are as different as night and day.

A vital question, particularly in the wake of the failed merger between Amsterdam-Rotterdam Bank and Générale Bank of Belgium, is whether the strategy of "living apart together" will work.

Onno Ruding: Netherlands Finance Minister

G.J. van der Lugt: becomes deputy chairman

Amro and Générale hobbled their alliance by insisting on maintaining separate identities at home while combining abroad. No corporate or legal structure allowed them to preserve such independence and still derive the necessary economies of scale.

In today's official signing ceremony the Dutch Finance Minister, Mr Onno Ruding, will exchange the state's 30m Postbank shares for 9.3m NMB shares and warrants for another 750,000.

The Government already owns 7 per cent of NMB so it will end up with 53.5 per cent of the merged bank, but will immediately pare that to 49 per cent by privately placing a 4.5 per cent stake with institutional investors.

NMB hopes to manage the Government's privatisation of half of its 49 per cent stake. The issue price is expected to be about Fl 55 a share after a one-for-five split.

That would imply a price-to-earnings ratio of 8.7 on expected 1989 earnings, steeper than rivals Amro and ABN.

Higher profits are promised for this year, but with a modest dividend yield of about 5 per cent investors will presumably want assurances of continued growth. NMB began as Nederlandsche Middenstandsbank ("shopkeepers bank)," catering to small and medium-sized business and building up a leading position in debt trading among banks worldwide.

Its management is considered more flexible, with shorter lines of communications, than other big Dutch banks. NMB's innovative philosophy is most graphically illustrated by its magnificent headquarters on Amsterdam's southeast flank.

An organic building with virtually no 90-degree right angles it uses solar heating, gathers rain water for plants and is described as the world's most energy efficient edifice.

Postbank is the product of a merger between the giro clearing system and National Savings Bank in 1986.

With no branches of its own, it operates through 2,700 Post Office counters while clients do much of their business through the mail and telephone "home banking" concept.

Until now Postbank was barred from corporate lending, securities retailing and insurance brokering.

The two partners must pare their overlapping households if they are to achieve cost savings and mutually benefit from each other's strengths.

More than 13 per cent of their combined workforce of 22,500 will overlap in central staff functions, payments clearing, computer systems and home mortgage lending.

Under the union accord, reached after months of tortuous negotiations, however, no employees can be forcibly laid off for three years.

Pay rises, longer holidays and perquisites will cost the employers as much as Fl 60m, according to the unions, although the banks insist the price tag is only one-10th of that.

For the next two years the two banks will continue to operate separately under an umbrella holding company.

Mr Scherpenhuijsen Rom will be the holding company's chairman and Mr van der Lugt its deputy chairman.

One of their first joint moves will be to open new branches in Poland and Manila, financed internally since NMB/Postbank has promised not to tap the equity market for at least one year. In the meantime, the Government is expected to privatise its remaining 25 per cent stake. Until then it will appoint two of the supervisory board's 15 members.

Other anti-takeover defences are priority shares and the possibility to issue preferred shares. Therefore the risk premium for unfriendly takeover will be slight so investors will have more reason than ever to want buoyant growth.

THE TWO BANKS COMPARED (1988 figures, Fl m)

	NMB	Postbank
Balance sheet	86,503	60,618
Net income	302	285
Net per share	28.23	9.50
Equity	2,780	2,091

All of ... announcement appears as a matter of record only.

October 1989

ALBANY INTERNATIONAL

3,000,000 Shares

Albany International Corp.

Class A Common Stock

This portion of the underwriting was offered outside the United States by the undersigned.

750,000 Shares

Shearson Lehman Hutton International | Merrill Lynch International Limited

Goldman Sachs International Limited | Kredietbank International Group

J.P. Morgan Securities Ltd. | J. Henry Schroder Wagg & Co. Limited | Nomura International

Banque Indosuez | Swiss Bank Corporation Investment Banking

This portion of the underwriting was offered in the United States by the undersigned.

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Bear, Stearns & Co. Inc. | The First Boston Corporation | Alex. Brown & Sons Incorporated

Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette Securities Corporation | Drexel Burnham Lambert Incorporated

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INTERNATIONAL CAPITAL MARKETS

The Financial Times proposes to publish a Survey on the above on

14th NOVEMBER 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SABRE VI LIMITED
US$72,000,000
Floating Rate Secured Notes Due 1992

For the 6 months period 2nd October, 1989 to 2nd April, 1990 the Notes bear the interest rate of 9.3125% per annum. US$4,707.99 will be payable from 2nd April, 1990 per US$100,000 principal amount of Notes.

Yamaichi International (Europe) Limited, Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Shares in Qintex fall to low of 40 cents

By Chris Sherwell in Sydney

SHARES IN Qintex Australia, flagship company of entrepreneur Mr Christopher Skase, yesterday plunged 19 cents to an all-time low of 40 cents before recovering to 50 cents on renewed fears for the financial strength of his fast-expanding media and resorts empire.

The worries spring chiefly from concern about the still-unknown financing details for his US$1.9bn acquisition of the MGM/United Artists movie group, announced last month after an abortive last-minute bid attempt by publishing magnate Mr Rupert Murdoch.

Another source of nervousness is his Channel Seven commercial television network in Australia. Last week Bond Media, owner of the top-rated Channel Nine, announced operating losses. Last month the value of the third network, Channel Ten, was written down by a dramatic A$400m (US$311m) when it changed hands.

A third concern is the impact on Mr Skase's two up-market Mirage holiday resorts in Queensland of the protracted Australian domestic pilots' dispute, which has disrupted the country's tourist industry for almost seven weeks.

Mr Skase is meanwhile developing a third resort in Hawaii and has bought land in California for a fourth.

Yesterday's share price volatility came on unusually heavy trading and suggested that at least one investor in Qintex Australia was determined to get out of the stock.

The slide stood in sharp contrast to the rest of the market, where the widely-watched All Ordinaries Index soared to within 10 points of its post-crash high of 1,781.

Qintex Australia's closing price compared with a high for the year of A$1.70. Concern about the trend was echoed by Mr Rodney Adler, chief of FAI Insurances, which is a lender to Mr Skase and has a significant stake in the quoted Qintex Ltd, through which Mr Skase controls Qintex Australia.

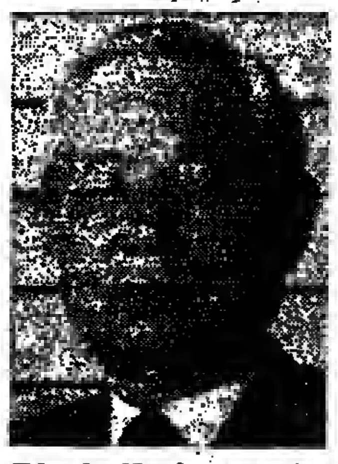
According to Mr Viktor Schvets of Capel Court Powell, the broking firm, the market is anxious to learn details of Mr Skase's funding package for the MGM/UA acquisition.

Mitsubishi courts London friends

Robert Thomson on a Japanese company's UK stock exchange debut

Mr Shinroku Morohashi, president of Mitsubishi Corporation, the giant Japanese trading house, has fond memories of his last visit to Britain. It was in April and he and the Qneen strolled together through a Mitsubishi factory in Bridgend which makes plastic cabinets for television sets.

"She was in our factory for 29 minutes and I was with her for 21 of those minutes," Mr Morohashi recalls. The meeting was a measure of Mr Morohashi and Mitsubishi Corp's influence, in the same way as a print in the firm's main reception room showing him in the company of President Suharto of Indonesia.



Shinroku Morohashi: aiming to become an 'international corporate citizen'

The company, whose shares will be traded on the London exchange from today, is well connected in a very Japanese way. It is the centre of a "keiretsu," a group of companies with congenial cross-holdings and great influence in Japanese society, a point noted by US trade negotiators who have listed the keiretsu as a structural barrier to trade.

While cross-holdings have given the keiretsu financial security, Mr Morohashi says a London listing allows Mitsubishi to "diversify our fund sources," to "make our name well known" and be an "international corporate citizen.

"There is a kind of prestige about listing in London," he said. "London is the financial centre and there we can find a lot of sophisticated investors."

It takes a certain amount of sophistication to understand the workings of Mitsubishi Corporation which, in many ways, has the appearance of a holding company. There are 113 subsidiaries and 346 affiliates; it had a market value last year of around Y2,400bn ($17bn) and net profit of Y46bn, up from Y31.2bn, of which 38 per cent was derived from equity accounted affiliates.

The cross-holdings are complex. Mitsubishi Corporation is 5.5 per cent owned by Mitsubishi Trust, 4.9 per cent by Mitsubishi Bank and 3.1 per cent by Mitsubishi Heavy Industries (MHI). MHI is itself 6 per cent owned by Mitsubishi Trust and 3.6 per cent by Mitsubishi Bank, the world's fourth-largest bank. It is 3 per cent owned by MHI, 1.9 per cent by Mitsubishi Trust, 1.7 per cent by Mitsubishi Corp and 5.7 per cent by Meiji Mutual Life Insurance, an unlisted member of the group. And so the pattern continues.

In principle, the Mitsubishi "zaibatsu" (industrial combine) was disbanded after the Second World War, along with other similar groups such as Mitsui zaibatsu, which was the largest in the pre-war period. But after 1945 the separated companies renewed their links, with a large-scale merger of Mitsubishi companies in 1954 and the reformation of Mitsubishi Heavy Industries in 1964.

Mr Morohashi concedes that the might of Mitsubishi and other large Japanese companies can be intimidating, but he says misunderstandings have been increased by, in some cases, "unskilful" purchases of foreign assets.

"Sometimes it is a matter of trial and error for Japanese companies. The companies do not want to harm feelings in foreign countries and we have learned from that."

Mitsubishi Corp has broadened to include areas such as satellite production and mergers and acquisitions, though Mr Morohashi emphasises that "we are not switching from the traditional, we are growing with the traditional." In the year to March 1989, fuels and metals contributed about 31.6 per cent of gross profit, machinery 27.5 per cent, food 13.8 per cent, chemicals 12 per cent and textiles and others 15.9 per cent.

"We will continue to make investments in natural resources. We will continue to deal in machinery. We must still make profits in these industries, so that we can use the funds to spend more in the new areas. I don't think that the character of the company or the atmosphere has changed," he said.

The company accounts for about 20 per cent of Japan's oil imports, making it the largest importer, and just over 50 per cent of liquefied natural gas. Motor vehicles comprise about two-thirds of the machinery division's exports, of which those vehicles made by Mitsubishi Motors make up 90 per cent – Mitsubishi Corp has 10 per cent of Mitsubishi Motors.

As president of the country's largest trading house, Mr Morohashi approves of the recently begun Structural Impediments Initiative talks on trade between Japan and the US, but he believes that the fundamental economic changes demanded by Washington "cannot happen overnight."

He says the talks have given Japan cause for contemplation, which is a "good thing," but "we shouldn't expect the imbalance will improve overnight." As for 1992 and Europe, "we are very excited and we think it has great potential."

The recent strength of the US dollar, he says, has been within the company's range of expectations and he presumes that if the dollar reaches an unacceptably high level, "the international system will solve the problem."

Tata Tea bids $62m for Consolidated Coffee

By R.C. Murthy in Bombay

TATA TEA, the world's single largest producer of tea, has bid for Consolidated Coffee, a leading coffee plantation group in south India, at a price that values the company at Rs1.05bn ($62m).

This is the first conventional takeover bid to be made in India where acquisitions are mostly struck through private deals between large shareholders.

Mr Darbari Seth, Tata Tea chairman, said its offer was Rs140 ($8.45) per share, double the price at which the shares were changing on the Madras stock market ahead of the offer.

The shares jumped to Rs138 on the news, but later slipped back to Rs118.

The offer is one Tata Tea share plus Rs100 in cash for two Consolidated Coffee shares. It is restricted to resident shareholders, who have 80 per cent of Consolidated Coffee. The outstanding 20 per cent is owned by Volkart of Switzerland.

Consolidated Coffee, which produces spices as well as coffee, has businesses complementary to Tata Tea. Mr Seth said there was potential for growth.

Tata Tea retains the option to withdraw the offer if it fails to acquire more than 50 per cent of votes at Consolidated Coffee.

More than 30 per cent of Consolidated Coffee equity lies with state-owned financial institutions.

Santos falls 13% midway as high interest rates bite

By Our Financial Staff

SANTOS, an Australian oil and gas producer, has reported a near 13 per cent decline in profit after tax to A$43.9m (US$34.1m) in the six months ended June, but is holding its mid-term dividend.

After accounting for extraordinary items, overall profit dropped to A$39.8m from A$127.9m. Earnings per share fell to 11 cents from 15.7 cents, reducing cover for the maintained interim dividend of 9 cents a share.

Turnover rose by 20 per cent to A$258m from A$214.1m. Santos said the six-month performance was helped by the inclusion of Peko Oil, acquired last year, but that profit margins had been eroded by high local interest rates.

Santos said it expected operating profit for 1989 as a whole to be generally in line with 1988, in which operating earnings totalled A$100.1m.

Peko Oil, bought from North Broken Hill Peko last year, contributed A$5.3m to net earnings. Santos said the figure would have been A$10m if it had not had to account for higher depreciation charges after revaluing Peko Oil assets.

The company said the outlook for the second half was promising. Third-quarter oil and gas output had increased and the company would gain in the fourth quarter from its 10.5 per cent share of the Challis oilfield in the Timor Sea.

High interest rates would continue to restrict profits, Santos said. This was due to its policy of maintaining about half of its borrowings in Australian dollars. It said it did not expect any offsetting currency gains in the second half.

SA Brewing buys in US

SA BREWING, the Australian brewing group, has purchased Bradford-White, a US-based manufacturer of gas and electric water heaters, Reuter reports.

The company said the purchase complemented its Australian market position in the Rheem and Vulcan brands. No purchase price was disclosed.

Bradford-White is one of five leading manufacturers of gas and electric water heaters in the US and has annual sales of about 7m units a year, SA Brewing said.

It operates a plant in Michigan and exports to several countries in Europe and south-east Asia.

Mr Ross Wilson, SA Brewing's managing director, said annual sales revenues for his company's US operations would increase to more than $280m as a result of the takeover.

The company also said it had reached an agreement to sell its 65 per cent interest in an Indonesian joint venture, Lampak Primula, to the local partners for an undisclosed sum.

Although the joint venture was performing satisfactorily, SA Brewing said it had decided to pursue other opportunities.

Australian bank ahead

COMMONWEALTH Banking Corporation of Australia, the state-owned bank, has reported sharply higher profits for the year ended June, AP-DJ reports.

Operating profit after tax rose by 74 per cent to A$475.9m (US$370.1m) from A$273.4m a year earlier. After accounting for extraordinary items, overall profit rose by 33 per cent to A$476.2m from A$359.1m. The bank is cutting its dividend to A$110.0m from A$129.7m.

Mr Don Sanders, managing director, said the higher profit reflected growth in non-interest income, controlled operating costs and lower tax.

Loan write-offs and net new provisions for specific losses on bad and doubtful debts rose steeply, soaring to A$200.4m from A$104.5m.

There was also a charge of A$97.6m to increase the general provision for bad and doubtful debts, up from A$91.9m last time.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / September, 1989

$902,640,000

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL CAPITAL MARKETS

Two dollar deals shine in improving issue volume

By Andrew Freeman

NEW ISSUE activity improved on Eurobond markets yesterday, with two dollar deals meeting good demand from investors anticipating interest rate hikes in other currencies. In general, however, the market lacked direction, with most of the day's deals aimed at specific demand.

Both dollar issues were praised for their correct pricing, although there was comment that there had been extensive pre-placement in Japan to satisfy customers there.

IBJ International was the lead manager of a $180m deal for Japan Highway, the second time this year the state-guaranteed borrower has tapped the seven-year maturity. Yesterday's bonds were priced at 101⅛ to yield some 51 basis points over the equivalent Treasury and were brought by IBJ broadly in line with the existing secondary market paper.

Demand was strong from a range of investors, and IBJ was quoting the paper at less 1.60 bid, comfortably inside full underwriting fees of 1⅞ per cent.

The spread against Treasuries tightened to around 47 basis points, despite an upward performance from the underlying government market.

The mandate for the deal was awarded last week, and it is understood that IBJ took careful soundings among Japanese investors which expressed interest in a 9 per cent coupon.

Proceeds were swapped into fixed-rate yen via floating-rate US dollars to achieve an attractive funding rate.

Daiwa brought a $200m three-year deal for Toyota Motor Finance with a 9⅛ per cent coupon at a spread of 53

INTERNATIONAL BONDS

basis points over Treasuries. The paper was quoted at 100.18 bid by Daiwa, which reported broad demand outside the Far East. That discount was well inside 1⅝ per cent underwriting fees.

The lead manager would not comment on any swap activity, but it is thought the proceeds were swapped into floating-rate funds.

Banco di Roma was the lead manager of a successful L200bn five-year deal for Deutsche Bank Finance, the largest Euro-lire deal to date for a non-Italian, non-tax-exempt borrower.

The bonds were priced to yield 12.45 per cent at less fees, clearly enough to attract strong demand. Banco di Roma was quoting the paper at less 1.57 bid, well inside full fees of 1⅞ per cent. Part of the proceeds were swapped.

In Switzerland, the SFr50m deal with five-year equity warrants for Girozentrale Vienna jumped to an even higher premium to its par issue price. After opening at 120 bid, it closed at 123 bid, amid a shortage of paper created by strong demand for the underlying shares.

The SFr300m convertible notes issue for Bank of Fukuoka traded on the secondary market for the first time and was quoted at 99½ bid, before reaching 100 bid in later trading.

● A Y14.5bn Samurai bond to be issued by Nomura for the European Community (EC) will carry a coupon of 5.3 pct and be priced at 100.80 to yield 4.998 pct, Reuter reports from Tokyo.

It is the first Samurai bond to be issued with a three-year maturity.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Finance(a)◆	200	9⅛	101⅛	1992	1⅞/⅞	Daiwa Europe
Japan Highway Public Corp.◆	180	8⅞	101⅛	1996	1⅞/1¼	IBJ Int.
LIRE						
Deutsche Bank Finance(a)◆	200bn	12¼	101.60	1994	1⅞/1¼	Banco di Roma
SWEDISH KRONOR						
LB Schleswig-Holstein(a)◆	300	11¼	101⅛	1994	1⅞/1¼	Copenhagen Handelsbank
Essette AB(a)◆	250	11½	101.85	1991	1¼/⅞	Svenska International
D-MARKS						
Nihon Plast Co.★★(a)◆	20	7⅛	101½	1994	1⅞/1⅛	IBJ Germany
YEN						
Postipankki(b)◆	1.5bn	12	101⅛	1991	1⅛/⅝	Nippon Credit Int.

★★Private placement. ◆Final terms. a) Non-callable. b) Redemption Nikkei stock index linked.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 9¾ 95	150	101	101⅜	+0⅛	−0⅜	8.99
Brit. Tel. Fin. 9½ 98	250	102½	103	+0¼	+0¼	8.91
Canada 9 96	1000	101½	102	+0¼	0	8.61
Canadian Pac 10¾ 93	100	†102¼	102½	0	0	9.88
C.C.C.E. 9¼ 95	300	101	101¼	+0⅛	−0¼	8.95
C.N.C.A 9¾ 95	150	†100¼	100¾	+0⅛	−0¼	6.23
Credit National 8¾ 95	200	†97¾	98¼	+0¼	−0⅛	8.90
Credit National 7¾ 92	100	96¼	96⅝	+0¼	−0¼	8.99
Credit National 9½ 92	160	†100½	101	+0¼	−0¼	9.19
Dai-Ichi Kan 9⅞ 92	150	101¼	101⅝	+0¼	−0⅛	9.07
Denmark 8¼ 94	150	—	—	—	—	—
E.E.C. 7 91	100	96¼	96⅝	0	0	8.89
E.E.C. 10 93	140	†103	103¼	0	−0⅛	8.88
Eurofima 10¼ 93	100	†103¼	103⅝	+0¼	−0⅛	8.91
Elec. De France 9 98	200	100⅜	101⅛	+0⅛	+0⅛	8.79
Elec. De France 9½ 99	200	†103½	103⅞	+0¼	+0⅞	8.92
Finland 9 96	250	100⅛	100½	+0¼	0	8.95
Finn. Exp. Cd. 8½ 92	200	98¾	99⅛	+0⅛	0	8.93
Finn. Exp. Cd. 9¾ 95	200	101½	102	+0⅛	−0¼	8.98
Ford Motor Credit 8 91	250	†98¼	98⅝	0	+0⅛	9.17
Gen.Elec.Cap.Corp. 9 93	500	†100¼	100⅝	+0¼	+0⅛	8.87
Gen.Elec.Cap.Crp. 10 1/2 91	300	101½	102¼	0	0	9.08
G.M.A.C. 9 96	300	98⅞	99⅜	+0¼	+0⅛	9.17
Gen.Mtrs.Corp. 9¼ 92	200	100¼	101	+0⅛	+0¼	8.89
IBM Credit Corp. 8⅞ 91	250	99⅞	100⅛	+0⅛	+0⅛	8.79
IBM Credit Corp. 9 92	250	100⅝	101⅛	0	−0¼	8.61
IBM Credit Corp. 9½ 92	250	100⅞	101⅜	+0¼	0	8.91
IBM Credit Corp. 10 92	200	102¼	102⅝	+0⅛	−0¼	8.89
Italy 9½ 95	1000	102⅜	102⅞	+0¼	+0⅛	8.91
Italy 9⅝ 99	1000	103⅞	104⅛	+0⅛	+0⅛	8.96
Itoh C. W/W 4⅝ 94	1000	†99⅜	100⅜	−0⅜	−0¼	4.56
Japan Dev. Bank 10 96	200	104¼	105	+0¼	−0⅛	9.08
KFW Intl. Fin. 9 94	300	100⅛	100½	+0¼	+0⅛	8.93
L.T.C.B. of Japan 9¼ 92	200	100¼	100½	+0⅛	−0¼	9.14
Metropolis Tokyo 9½ 93	200	101⅜	101⅞	+0⅛	−0¼	8.92
Nippon Tel.&Tel. 9⅜ 98	250	102⅜	102⅞	+0¼	+0⅛	8.93
Norway 8¾ 93	500	99⅝	100¼	+0⅛	−0¼	8.76
Portugal 8¼ 91	300	†97⅞	98⅜	0	−0¼	9.61
Prudential Crp. 8¾ 94	125	†100	100½	0	+0⅞	8.67
Sumitomo Bank 9⅝ 92	150	†101⅛	101⅝	+0¼	−0¼	9.08
Sumitomo Corp. W/W 4 93	1500	109¾	110¼	−0⅛	+0⅞	1.18
Sweden 8¾ 96	200	99⅝	99⅞	+0¼	0	8.81
Sweden 8½ 92	200	†98⅛	98⅝	+0⅛	0	9.15
Toyota 9½ 91	200	100⅜	101¼	+0¼	−0¼	8.94
Toyota Mtr.Corp. W/W 4 93	1500	100⅞	101⅞	−0⅛	−2¼	3.59
Victorian Rep 11⅛ 92	150	104¾	105¼	+0¼	−0⅛	9.30
World Bank 8⅞ 99	1500	99⅛	99⅝	+0⅛	+0¼	8.54
World Bank 9 97	300	100⅞	101⅛	+0⅛	+0⅛	8.81
World Bank 9 93	300	100⅜	100⅞	+0⅛	+0¼	0.82
World Bank 9¼ 98	300	102⅛	102½	+0⅛	0	8.85
World Bank 9⅝ 99	500	104⅛	104⅝	+0¼	+0⅛	8.84
World Bank 9¼ 96	300	†103⅞	104¼	0	0	8.90

Average price change... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94⅞	95⅛	+0⅛	+0¼	7.24
Austria 6¼ 99	750	96⅝	97	+0⅛	−0¼	7.22
Bk.Frgn.Econ.USSR 7 96	750	†94⅛	95⅛	0	−0⅛	7.98
Bank of Tokyo 5¼ 93	100	94⅛	94⅛	+0⅛	−1⅛	7.67
Commerzbank o/s. 5⅜ 93	300	94	94½	0	−0½	7.41
Credit Foncier 6¾ 99	500	96⅛	96¼	0	−0½	8.24
E.I.B. 6¼ 99	600	93	93⅛	+0⅛	−0⅛	7.24
E.I.B. 6½ 99	300	94⅝	95⅛	+0⅛	−0⅜	7.24
E.I.B. 6⅛ 96	600	96⅞	97⅜	+0⅛	−0⅜	7.18
E.I.B. 6⅛ 95	300	98	98⅛	+0¼	−0⅛	7.21
Euro.Coal & Steel 5⅝ 97	175	91⅝	92⅛	0	−1⅛	7.31
Eurofima 6¼ 96	100	93¾	94½	0	−0¼	7.36
Elec De France 5¼ 97	300	90⅞	91⅛	0	−0⅛	7.27
Hydro-Quebec 6¼ 99	300	96¼	96⅜	+0⅛	−1	7.28
Japan Dev. Bk. 5⅛ 95	300	90⅞	91⅛	0	−0⅜	7.46
Japan Finance 5¼ 97	100	91⅛	91⅜	0	−0⅞	7.29
I.A.D.B. 7¼ 99	300	99½	100	+0⅛	−0⅛	7.28
Ireland 6½ 97	300	93½	94	−0¼	−1¼	7.61
Ireland 7¼ 99	500	98⅛	98⅞	0	−0⅞	7.45
Malaysia 6¼ 94	150	95⅝	96⅛	0	−0⅛	7.27
Nat. West BK. PLC 6 98	300	90⅞	91⅛	0	−0⅛	7.41
N.H.L. Finance 6¼ 95	200	†91⅞	92⅜	−1	−1⅜	7.92
Nippon Telg.&Tel. 6 95	400	94½	95¼	+0⅛	−0¼	6.44
Oesters. Kontbk. 5 93	300	92½	95⅛	−0½	−0¾	7.53
Portugal 5¼ 92	150	95¼	95⅞	−0⅛	−0⅞	7.52
Portugal 6¼ 95	150	97⅛	98⅛	0	−0½	7.05
Privatbanken 5⅛ 93	150	92⅞	93⅛	0	−0½	7.56
Royal Insurance 5½ 92	300	95½	96	+0⅛	0	7.39
Turkey 6½ 95	500	93⅛	94⅛	+0⅜	−0¼	7.91
Union Bk.Finland 5½ 94	200	93⅜	93⅞	−0⅛	−0⅜	7.27
World Bank 6 98	500	91⅝	92¼	+0⅛	−0¾	7.25
World BK. 6¼ 97	600	93½	94⅛	+0⅛	−0⅞	7.87
World Bank 6¼ 99	600	96⅜	96¾	0	−0⅝	7.24

Average price change... On day +0⅛ on week −0⅝

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†90½	91½	0	−0½	6.68
Asfinag 5 03	100	†86	87	+0½	−1⅝	6.50
B.F.C.E. 4½ 98	200	†90	90¼	+0⅛	−0⅛	5.98
B.M.W.Fin.Neth. 5 13	150	†86	86¼	0	0	6.12
Britannia B/S. 4⅛ 94	100	†89½	90¼	0	+1¾	6.84
CIR. Int. W/W 3 93	125	†89	89¼	0	−1	6.31
Credit Lyonnais 4¼ 00	100	†88¼	89	+0⅛	+0⅜	6.20
E.I.B 4⅝ 98	150	†89½	90	+0½	−1	6.18
Finn. Exp. Cd. 8¼ 92	75	†100½	101	0	+0⅛	7.96
Fletcher Chall. 4⅞ 98	150	†80½	82	0	+0¼	7.98
I.A.D.B. 6 2004	200	†98	98¼	+0¼	−0⅛	6.20
Kobe City 4⅝ 98	150	†88	88½	−0¼	−1¼	6.42
Leeds Perm. B/S. 4⅛ 93	200	†88	89	−2	−2⅞	7.98
Malaysia 5¼ 98	100	†85⅛	86	0	−1⅞	7.55
Maxwell Comm.Crp. 5 95	150	†80	80¾	−1⅞	−7	9.62
Nat. Bk. Hungary 5½ 94	75	—	—	—	—	—
Nationwide Ang.B/S. 4 93	200	†89½	90½	+0⅜	−0⅞	7.16
Prov. Newfoundland 5 03	150	†86	87	−1½	−0⅜	6.48
Thailand 4⅝ 95	200	†81½	82½	0	−1⅞	8.72
World Bank 5 03	150	†87½	88	−0⅜	−1½	6.35

Average price change... On day −0⅛ on week −1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100½	100⅜	0	−0⅛	5.61
Canada 5⅛ 93	80	100⅜	100⅝	−0⅛	−0¼	5.47
Eurofima 5 1995	20	97⅛	97⅛	−0⅛	−0⅜	5.56
E.I.B. 4⅞ 93	30	97⅝	98	−0⅛	−0⅜	5.56
Ireland 5⅛ 93	30	98⅝	98⅞	−0⅛	−0¼	5.55
Norway 5⅛ 95	50	98¼	98½	−0¼	−0⅝	5.47
Sweden 4⅝ 93	50	96⅛	97⅛	−0¼	−0¼	5.56
World Bank 5⅛ 98	10	97½	98⅛	−0¼	−0½	5.46
World Bank 7 94	20	105⅝	106⅛	−0⅛	−0⅜	5.50

Average price change... On day −0⅛ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96¾	97⅛	−0¼	0	11.06
Abbey Nat. 11⅝ 95 £	100	96¾	97¼	0	−0¾	12.38
Aegon 7¼ 92 Fl	100	100⅛	100⅝	0	−0⅜	7.87
Alg. Bk. Ned. 5⅞ 93 Fl	200	93⅞	94¼	0	−1¼	7.78
Austria 7½ 94 ECU	100	94⅞	95⅜	+0¼	−0⅞	8.84
Bk.Nova Scot. 14⅛ 90 A$	75	†95¾	96⅛	0	−0⅝	18.17
Barclays Aus. 13½ 91 A$	100	94⅝	95¼	0	−0¼	16.58
Belgium 8¾ 94 Ecu	150	97¼	97¾	+0⅛	−0⅝	8.81
BP Capital 9⅞ 93 £	100	92½	93	−0¼	−0⅜	12.36
British Airways 10 98 £	100	89½	90	0	−0⅜	11.97
Brit. Telecom 9½ 93 £	150	92½	93	+0⅛	−0½	12.15
Comm.Bk.Aust. 12⅝ 93 A$	100	†92	92½	0	−1	15.49
Comm.Bk.Aus. 13¾ 94 NZ$	60	103⅞	104⅜	0	+0⅜	12.55
Credit Foncier 9 96 Ecu	100	100⅛	100⅝	+0¼	−0⅞	8.91
CrLocalFrance 9¼ 92 Ecu	100	100⅝	101⅛	+0⅛	−1⅛	8.83
Deut. Bk.Aus. 13¼ 93 A$	125	95⅜	96	−0⅛	−1⅛	14.81
Deutsche Bk.Fin. 15 94 A$	100	100⅜	100⅞	0	−0⅛	14.72
E.I.B. 7 96 LFr	100	†96½	97½	0	0	7.60
E.I.B. 7⅛ 99 FL	150	97⅛	97⅛	0	0	7.51
E.I.B. 9 99 Ecu	150	101⅜	101⅞	0	−0⅞	8.77
Eurofima 7⅝ 94 Ecu	100	95⅝	96⅛	+0⅛	−1	8.79
Export Dv.Crp. 8¼ 92 Ecu	100	99⅛	99⅛	+0⅛	−1	8.88
Fed.Bus.Dv.Bk. 9 94 Ecu	100	99⅛	100⅛	+0¼	−0⅛	9.01
Fed.Bus.Dv.Bk. 9¾ 92 C$	75	†97⅝	98⅛	0	+0¼	10.66
Fed.Bus.Dv.Bk. 10½ 93 C$	50	†98⅝	99⅛	0	0	10.85
Ferrv. Stato 7¾ 93 Ecu	100	95½	96	+0⅛	−1	9.14
Ford Cr.Can. 10¼ 93 C$	100	†98⅞	99⅜	−0⅛	0	11.03
Ford Cred.Can. 10⅞ 96 C$	125	100¼	100½	0	+0⅛	10.79
Ford Cred.Fund. 10¼ 93 £	60	95⅛	95⅛	+0⅛	−0½	12.23
G.M.A.C.Canada 11 3/4 94 C$	100	102⅜	102¾	0	+0⅛	10.98
Heineken 7⅛ 94 FL	150	101⅜	102¼	0	−0½	7.61
Hydro-Quebec 11 99 C$	400	101⅝	101⅞	+0⅛	+0⅛	10.67
Lloyds Bank 10¼ 98 £	150	90⅝	91¼	+0⅛	−0⅜	11.97
Lloyds Bank 11⅞ 98 £	100	94⅜	94¾	0	−0⅜	12.39
Montreal Tst. 10¼ 93 C$	100	†98⅜	98⅞	−0¼	0	11.18
Nat. Aus. Bk. 14¾ 94 A$	100	97⅛	98⅜	0	−0¼	15.29
New Zealand 9½ 93 £	100	91½	91⅞	0	−0½	12.50
O.E.K.B. 10¼ 99 C$	150	98	98½	−0⅛	−0⅛	10.53
Privatbanken 7½ 94 LFr	500	†97½	98½	0	−0¼	8.03
Royal Bk.Scot. 10⅛ 98 £	125	92¾	93¼	+0⅛	−0⅞	12.01
Saskatchewan 9⅛ 91 C$	150	†98	98½	0	+0⅜	10.95
Saskatchewan 10¼ 93 C$	200	98⅛	98⅝	−0⅛	−0¼	10.74
State Bk.NSW. 13⅛ 93 A$	100	95	95½	0	−0⅛	15.46
Sweden 7½ 93 Ecu	250	95¼	95¾	+0¼	−1	8.84
Sweden 15 94 A$	100	101⅝	101⅛	−0⅛	−0⅞	14.48
Toyota Mtr.Cr. 11⅛ 92 C$	150	101⅛	101⅛	0	+0⅛	10.75
World Bank 7⅛ 99 FL	300	97¼	97⅜	0	0	7.49
World Bank 13⅜ 92 A$	100	97¼	97¾	0	−1⅛	14.46
World Bank 14¼ 94 A$	75	98⅛	99⅜	0	−0⅜	14.48
Zentrspk. 13¼ 93 A$	75	†94¼	95¼	0	−1	15.00

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.98	100.03	24/10	14.06
Bank of Greece 99 US$	0¼	99.62	99.72	8/03	9¼
Belgium 91 US$	0	100.07	100.17	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.84	99.89	30/11	14.06
Credit Foncier 98 US$	.063	99.99	100.09	20/10	10.16
Dresdner Finance 99 DM	.031	99.82	99.92	30/10	6.97
EEC 3 92 DM	0	100.08	100.18	22/02	6¼
Halifax BS 94 £	.1	100.09	100.14	9/11	13.97
Invt. in Industry 94 £	0¼	99.97	100.07	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.15	100.20	13/10	14.06
Milk Mkt. Brd. 5 93 £	0⅛	100.01	100.06	29/12	14.94
New Zealand 5 97 £	.07	99.97	100.07	18/11	13.19
Northern Rock 92 £	0½	99.86	99.91	20/01	5¼
State Bk. Nsw. 98 US$	.188	100.08	100.18	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.15	100.20	13/10	14.06
Woolwich 5 95 £	0⅛	99.94	99.99	21/11	14.06

Average price change... On day +0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	126⅝	127⅛	+0¼	1.70
Amer. Brands 7¼ 02 US	9/87	56.7	132¼	133¼	+0¼	−1.70
CBS. Inc. 5 02 US	4/87	200.	105½	106½	+0⅜	2.29
Primerica 5½ 02 US	4/87	66.75	72¼	73⅛	0	74.69
Eng.China Clay 6½ 03 £	9/88	4.8	100⅝	101½	−0¼	5.62
Fujitsu 3 99 US	5/84	1166.	225⅝	226⅛	−4⅝	−1.55
Ladbroke 5¼ 04 £	6/89	7.1	105½	106½	−0½	128.75
Land Secs. 6¼ 02 £	6/87	6.72	95½	96½	0	15.41
Minolta Camera 2¼ 94 DM	2/86	1004.	109	110½	−0½	6.75
MCA Inc 5½ 02 US	9/87	69.62	105⅛	106⅝	+0¼	9.26
Mitsubishi Bk. 3½ 04 US	5/89	3266.	95¼	96¼	−0½	3.06
Next Plc 5½ 03 £	11/87	4.3	99¼	100⅛	−0⅜	209.16
Nikki Nipp. Bk 2⅞ 03 US	4/88	884.	137	138	−1	3.32
Omnicom Inc. 6 1/2% 04 US	10/89	28.	102⅞	103⅞	+0¼	17.86
Onoda Tateki 2⅝ 02 US	4/87	1318.	296⅝	297⅝	−5¼	0.68
Ranks Hovis 4¾ 03 £	1/88	3.5	128¼	129¼	+0¼	−0.74
Redland 7¼ 02 £	1/87	5.4	103¼	104½	−0½	2.61
Saatchi&Saatchi 6¾ 03 £	11/89	4.41	92	93	0	38.75
Silicon Graphics 8 04 US	10/89	23.18	112¼	113¼	+0⅞	8.90
Sumitomo Bank 3⅛ 04 US	2/89	4296.	83⅝	84⅝	−1¼	14.48
Texas Inst. 2¾ 02 US	9/87	82.87	76¼	77¼	+0¼	64.15
Utd.N'papers 8 04 £	10/89	8.77	110¼	111⅛	−0¼	106.30
W.R. Grace 6¼ 02 US	9/87	42.12	99⅞	100⅞	−0¼	15.84

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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Egypt at last tackles its debt problems

Cairo sees the beginning of a market in supplier credit debt. Tony Walker reports

Egypt has at last begun to allow a process of debt conversion at a discount in an effort to retire some of its $1.5bn of foreign credit obligations.

Bankers report the beginning of a market in unpaid bills, but they say that the central bank and Ministry of Economy are extremely cautious about approving any such arrangements.

"The central bank is not desperately keen that a market develop in this unpaid paper, because obviously they could not be sure they could control it," said one foreign banker.

But he added that Cairo was seeing the "beginnings of a very thin market in supplier credit debt." The authorities are reportedly retiring the debt at a discount of up to 40 per cent of face value at the prevailing exchange rate of E£2.60 to the US dollar.

Government officials insist, however, that no formal policy decision has been taken to open the doors to a big debt conversion programme.

"We are looking at proposals on a case-by-case basis," said a senior Economy Ministry official. "We are taking into consideration the purpose for which the proceeds would be used and the state of the world market."

"There are no established rules," he added. "It is a negotiable business."

Egypt, it seems, will approve debt conversion for the following purposes on an extremely selective basis, to:

● Enable investors to raise capital for new projects
● Facilitate an increase in capital of an existing enterprise
● Help fund non-traditional exports and
● Assist companies pay local operating expenses.

Representative offices of several of the larger American banks have been particularly active in efforts to promote a debt conversion programme. Most foreign banks have "written down," as one banker put it, their Egyptian debt to levels at which supplier credit paper is changing hands.

A Western economic attaché said the amounts involved thus far were tiny compared with the size of the debt, but it was promising that a beginning had been made in tackling a problem that had seriously affected Egypt's creditworthiness.

Egypt is hoping that by agreeing to the beginnings of a debt conversion process it will persuade foreign creditors to view this as a sign that Cairo is anxious to deal with the vexed issue of supplier credit debt.

Egypt, whose foreign debt totals more than $50bn, has been starved of new commercial credits for several years, partly because of its inability to meet its supplier credit obligations.

A special committee, including representatives from various Egyptian ministries and the Central Bank, has been established to review all debt conversion applications. Final approval of the Minister of the Economy is required for each case.

A foreign banker said the authorities were anxious to avoid, at all costs, what he described as "round tripping," whereby companies or individuals converted local currency at a discount and then went to the black market to convert it back into dollars to be repatriated abroad.

The senior Egyptian Economy Ministry official said that Egypt was not yet ready to follow the path adopted by other developing countries where debt conversion, or debt equity swaps, was highly developed.

"We are trying to evaluate this through practice," he said. "Two years ago, we would not have considered it, but gradually we have come to see there might be some advantages for Egypt."

BEDFORDSHIRE

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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October, 1989

Ces actions ayant été souscrites, cet avis n'apparaît qu'à titre d'information seulement.

HAVAS

FF 1.614.149.000

ÉMISSION D'ACTIONS
AVEC BONS DE SOUSCRIPTION D'ACTIONS

Placement prioritaire auprès des actionnaires de FF 1.314.149.000

Société Générale — Banque Nationale de Paris
Banque Indosuez — Banque Industrielle et Commerciale du Marais
Banque Paribas — Caisse des Dépôts et Consignations
Caisse Nationale de Crédit Agricole
Crédit Lyonnais — Banque Worms
Banque Générale du Phénix — Banque Hydro-Énergie
Caisse Centrale des Banques Populaires — Banque Eurofin
Banque Internationale de Financement et de Négociation — Compagnie Financière Edmond de Rothschild Banque
Crédit National

Placement international de FF 300.000.000

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S.G. Warburg Securities
Banque Indosuez — BNP Capital Markets Limited
Commerzbank Aktiengesellschaft — Credit Suisse First Boston Limited
Enskilda Securities Skandinaviska Enskilda Limited — Swiss Bank Corporation Investment Banking
UBS Phillips & Drew Securities Limited

Juillet 1989

SOCIÉTÉ GÉNÉRALE

INTERNATIONAL CAPITAL MARKETS

US Treasuries make gains on back of firmer dollar

By Janet Bush and Rachel Johnson in London

US TREASURY bonds moved higher yesterday in reaction to a stronger dollar and to remarks from a senior Administration official saying that US interest rates were heading down.

In late trading, short-dated issues were as much as ¼ point higher, while the Treasury's benchmark long bond was quoted ¼ point up for a yield of 8.17 per cent.

The US currency put in a strong performance overnight and dipped only temporarily under the weight of more concerted central bank intervention. In late New York trading, the dollar was steady, near to its day's highs at Y141.15 and DM1.8865.

Foreign exchange dealers said that the impact of central bank intervention against the dollar appeared to be diminishing and that the currency remained well bid. The rally in New York appeared to be partly on reports of a possible attempted coup in Panama.

The dollar's resilient performance has provided significant support for the bond market which has tended to ignore unfavourable news when the US currency is rising.

Yesterday, the short end of the market was bolstered by reported remarks from Mr Michael Boskin, chairman of the Council of Economic Advisors, that interest rates would decline. The desire of the Administration to see lower interest rates is well known on Wall Street and the US Federal Reserve appears to be under some pressure to ease monetary policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-14	+2/32	11.68	11.47	10.95
		9.750	1/98	95-02	+2/32	10.66	10.54	10.22
		9.000	10/08	94-26	+2/32	9.80	9.55	9.60
US TREASURY *		8.000	8/99	98-18	+14/32	8.21	8.34	8.17
		8.125	8/19	99-17	+18/32	8.17	8.29	8.13
JAPAN	No 111	4.600	6/98	96.0273	-0.229	5.26	5.18	5.11
	No 2	5.700	3/07	105.4455	-0.098	5.11	5.08	5.05
GERMANY		6.750	8/99	98.2500	+0.250	7.00	6.98	6.86
FRANCE	BTAN	8.000	7/94	95.6076	+0.256	9.10	9.00	8.65
	OAT	8.125	5/99	95.7000	+0.660	8.79	8.71	8.39
CANADA *		9.500	10/98	98.6000	+0.225	9.74	9.81	9.51
NETHERLANDS		7.250	7/99	98.8300	+0.080	7.40	7.29	7.17
AUSTRALIA		12.000	7/99	91.2832	+0.150	13.63	13.42	12.93

London closing, *denotes New York close
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

However, given some evidence that the economy is not now slowing as much as it was, it is not at all clear that the Fed, whose Federal Open Market Committee met yesterday, will be prepared to lower rates.

The September US purchasing managers' report showed that the economy slowed at a lower rate last month than in August and yesterday offered news of a healthy 2.9 per cent rise in new factory orders in August compared with a revised fall of 2 per cent in July.

■ THE New Zealand government bond market reacted badly to the troubles at DFC New Zealand.

The benchmark 1993 bond rose by 12 basis points to yield 12.44, up from 12.32 on Monday, as news of the possible bankruptcy came through to the trading floor.

Short maturities had an early slip of about 15 basis points in price, and the currency also weakened.

■ THE GERMAN government bond market opened slightly weaker, but made steady small gains during the day after rates were fixed 25 pfennigs higher on the previous day. There were, however, no calls from leading investors. The market has now convinced itself that Thursday's meeting of the Bundesbank will result in a ½ point rise in interest rates and made the necessary adjustments.

■ THE UK gilt market failed to react to the release of the underlying reserves figures, which showed an unexpectedly small reduction of £142m in September. Given the Bank of England's interventions in the foreign exchange markets, the market was predicting a bigger decline. "The market responded by standing still," said a dealer. The futures market traded within a ¼ point range, the long gilt closing at 92.24 per cent, from 92.21 on Monday. The cash market was even quieter and closed unchanged.

GOVERNMENT BONDS

AFBD to seek more funds from members

By Katharine Campbell

THE ASSOCIATION of Futures Brokers & Dealers, the derivatives' self-regulatory body, is reviewing its funding in anticipation of a possible doubling in costs over the next two or three years.

Additional resources will be required from members - many of whom already baulk at the onerous financial burden of self-regulation - if the association is to continue to fulfil its functions, particularly in the enforcement area, and meet its steadily escalating contributions to the Securities & Investments Board.

In the 18 months to March, the SIB levy consumed around 36 per cent of AFBD revenue.

Deloitte Haskins & Sells, the accountancy firm, is close to completing a study of a range of additional revenue sources for the association. "We feel the current distribution is not equitable, or even a good discipline on us," Mr Phillip Thorpe, the association's chief executive, said recently.

The favoured source of additional revenue is some form of contract fee - calculated by the size or value of individual orders - which would effectively pass on an identifiable portion of the costs of regulation to members' customers.

The US self-regulatory body, the National Futures Association, raises the vast proportion of its funds by this method, whereas the AFBD has until now relied almost exclusively on a membership fee based on the rather crude measure of the number of people a firm employs, rather than on the amount of business it transacts. Smaller firms as well as locals, who by definition do not service customers, have complained at this iniquity.

Another possibility is to charge for advice given to members when setting up compliance and accounting systems.

● The AFBD will shortly be circulating to members proposals from the US Commodity Futures Trading Commission for a solution to the wrangle about segregation. The AFBD will recommend that members post collateral against forward client positions in profit.

Portal sets a seal of approval

Stephen Fidler on rule changes in the US private placement market

CHANGES likely to be introduced in coming months by the Securities and Exchange Commission on rules governing the US private placement market are expected to have wide-ranging consequences for securities markets, not only inside the US but also internationally.

The private placement market, where professional investors can buy securities whose issuers have not undertaken the often onerous disclosures required by the SEC, has already grown rapidly. An estimated $72bn of debt and equity securities were placed in the market in the first half of the year.

However, its growth has been stunted by the vagueness of the current SEC regulations on the subject, which have made it difficult for any kind of secondary market in private placements to exist. Once bought, privately-placed securities are usually held by investors to maturity. Private placements are also restricted currently by a 50-investor limit, which inhibits trading once an initial placement has been made.

After being approached to provide a more definite framework for the market, the SEC offered for comment last year a new regulation, proposed rule 144a. This was significantly reproposed this year in the light of initial comments to make it harder for privately-placed paper to "leak" into the public markets.

The reproposed rules - which limit qualifying investors to those holding more than $100m in securities - will also narrow the investor groups able to participate, making it more difficult than originally proposed for rich individuals and smaller savings and loans institutions to take part. Nevertheless, an estimated 4,000 institutional investors in the US could still potentially qualify.

Among those tracking developments most closely is Nasdaq, the screen-based stock exchange of the National Association of Securities Dealers. Once the SEC has given the new parameters for private placements, Nasdaq is expecting rapidly to put in place a trading system for those securities.

The system, which it is calling Portal, Private Offerings and Reciprocal Trading through Automated Linkages, is not only aimed at making the new-issues business easier. More significantly perhaps, it is also being designed to encourage a secondary market to develop in such securities.

The SEC is widely expected to confirm its ruling over the next month or so. "We expect to be ready with Portal in November," said Mr John Wall, executive vice-president for marketing and market operations at Nasdaq.

THE aim is to set up within Portal a so-called "safe harbour" for qualified investors. The NASD, as a regulatory organisation, will determine whether an investor is "qualified".

Once dealing in Portal, the idea is that the investor will know that others on the system have similar credentials, making unnecessary an individual assessment of every potential counterparty. "We'll put the seal of approval on the investors," he said.

Joseph Hardiman: 'We think it's a growing market'

Access to the system will be through a personal computer, with authorised subscribers given software which will allow them to access Nasdaq's main-frame computer. There is thus no large commitment of resources.

Mr Joseph Hardiman, Nasdaq's president, said: "We think that it's a growing market. Major users of the market are going to be those overseas companies who have a desire to tap the US capital markets but haven't wanted to come here and comply with all the disclosure and accounting requirements required by the SEC. I think it will be particularly interesting for those Swiss and German companies which have avoided the US market because they don't want to make disclosures about hidden reserves and that kind of thing."

There have been fears expressed that liquid private-placements could bring about a two-tier market in securities. "There have been fears expressed that it may detract a good deal from the public markets," said Mr Hardiman. "My thought is that if it expands capital access for those who need capital then it will be a good thing."

The original broader proposal by the SEC led Nasdaq's competitor in the field, the American Stock Exchange, to slow development of its parallel Situs system, according to Mr Ivers Riley, senior vice-president in charge of derivatives at the Amex.

No decision has yet been made to go ahead with Situs, which is expected to use a trading system of a proposed Amex partner yet to be publicly announced. However, while he concedes that it was in retrospect a mistake to slow Situs on the SEC's original rule change proposal,

Mr Riley says he has now seen Portal and thinks he can better it. None the less, it will be the first quarter of next year, and most probably later, that Situs can be put in place if the decision to go ahead is made.

Amex's idea was originally to focus on foreign equity and debt securities, while Nasdaq's system is aimed at both domestic and overseas securities.

The Portal system will set up, allocate, confirm, reconfirm and book trades, then transmit details to the International Securities Clearing Corporation.

This will in turn sends settlement instructions to Euroclear or Cedel. The securities will be traded on five-day settlement, as normal in the US equity market.

DFC collapse puts CP securities at risk

By Rachel Johnson

THE COLLAPSE of the New Zealand investment bank, DFC New Zealand, shook the international commercial paper market yesterday, underlining the risk of investments in short-term securities.

The appointment of three managers from Deloitte, Haskins and Sells, the auditors, as statutory managers at DFC brought about the latest in a series of default worries to have hit the market, following the troubles in recent months of Integrated Resources, Lomas and Nettleton and Wang Laboratories.

However, this is thought to be the first time a bank, rather than a corporation, has seriously threatened default in the Eurocommercial paper market.

The question of repayment of DFC's obligations is unresolved, but it is thought that instruments maturing while DFC's funds are frozen are unlikely to be repaid. There was some suggestion that outstanding debts would remain unpaid indefinitely. DFC was issuing no guarantees about its ability to honour its commitments to investors.

The statutory managers have said they will honour treasury and liability management commitments as they fall due, but this is not thought likely to cover commercial paper, of which some $270m of US-dollar denominated paper was estimated to be outstanding.

DFC's accounts for the year to March 31 show it had borrowed NZ$921.9m ($782.6m) in foreign currency. Eurocommercial paper, NZ$81.2m in Eurobonds, NZ$326.8m in NZ-dollar denominated Eurocommercial paper and deposit notes, and NZ$124.5m in domestic issues. It had NZ$268.2m in local currency deposits.

Anheuser-Busch debt placed on review

LONG-TERM debt of Anheuser-Busch, the US brewing conglomerate, has been placed on review for possible downgrade by Moody's Investors Service, the US rating agency, writes Katharine Campbell.

The move, which affects $1.76bn worth of debt, follows news of the company's $1.1bn purchase of theme parks from Harcourt Brace Jovanovich. Moody's says this, in addition to a new leveraged employee stock ownership programme, will take Busch's nominal gearing level to over 50 per cent.

Ratings under review include Eurobonds that currently carry an Aa3 rating, medium-term notes, industrial development revenue bonds, and a shelf registration of senior debt that also carries an Aa3 rating.

Debt issued by subsidiary - Aa3-classed sinking fund debentures and revenue bonds - are also under scrutiny.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Oct 3 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Oct 2 Index No.	Fri Sep 29 Index No.	Thu Sep 28 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	966.37	+0.9	11.40	4.33	10.74	26.63	957.59	963.87	957.73	788.87
2 Building Materials (29)	1168.70	+0.8	13.10	4.72	9.54	34.89	1159.09	1167.78	1151.39	991.22
3 Contracting, Construction (37)	1575.44	+1.0	15.41	4.80	8.47	48.87	1560.16	1571.07	1563.26	1567.49
4 Electricals (10)	2815.96	+0.6	9.45	4.30	13.32	68.01	2798.32	2830.58	2817.12	2193.91
5 Electronics (30)	2133.31	+1.4	9.09	3.44	14.19	49.17	2104.54	2125.72	2107.98	1676.12
6 Mechanical Engineering (54)	519.49	+0.5	10.74	4.33	11.33	14.16	516.93	523.38	523.01	418.99
8 Metals and Metal Forming (6)	500.76	+0.3	20.53	5.98	5.37	15.15	499.45	503.48	498.20	486.93
9 Motors (19)	375.06	+1.1	9.88	4.23	11.96	9.97	371.07	372.45	370.63	279.29
10 Other Industrial Materials (23)	1765.85	+1.1	9.36	4.25	12.60	51.87	1746.48	1738.37	1733.90	1345.34
21 CONSUMER GROUP (184)	1328.25	+1.1	8.24	3.31	15.23	25.94	1314.04	1322.87	1319.54	1051.84
22 Brewers and Distillers (23)	1483.55	+1.9	8.59	3.27	14.56	25.76	1455.71	1464.76	1469.48	1183.81
25 Food Manufacturing (20)	1170.32	+1.4	8.74	3.65	14.44	23.41	1154.68	1160.48	1158.59	953.28
26 Food Retailing (14)	2516.50	+0.8	8.09	2.78	16.34	43.00	2497.00	2520.60	2506.62	1820.00
27 Health and Household (14)	2529.71	+1.1	6.11	1.88	19.28	37.80	2501.40	2514.86	2490.98	1876.01
29 Leisure (34)	1744.84	+1.3	7.54	3.29	16.34	35.69	1722.78	1735.27	1737.24	1352.53
31 Packaging & Paper (15)	591.63	+0.4	10.54	4.40	11.79	16.17	589.45	595.99	595.69	530.60
32 Publishing & Printing (18)	3714.79	+0.7	8.58	4.58	14.99	105.37	3690.38	3742.44	3732.54	3302.77
34 Stores (32)	839.67	+0.2	10.26	4.39	12.73	18.56	838.08	842.49	841.50	745.89
35 Textiles (14)	570.12	+0.7	9.95	5.16	12.13	15.67	566.26	568.95	569.11	494.36
40 OTHER GROUPS (93)	1186.16	+0.9	9.91	4.10	12.23	26.50	1175.26	1181.13	1179.62	892.46
41 Agencies (17)	1557.53	+0.9	6.77	2.32	18.22	24.40	1543.57	1553.51	1556.89	1051.81
42 Chemicals (22)	1286.16	+0.5	11.57	4.87	10.19	42.50	1280.31	1284.11	1272.65	1049.29
43 Conglomerates (13)	1669.64	+1.4	10.26	4.89	11.47	29.89	1647.30	1658.19	1656.98	1220.38
45 Transport (13)	2333.62	-0.5	9.56	4.01	13.37	55.79	2345.46	2374.93	2370.57	1982.26
47 Telephone Networks (2)	1158.93	+1.0	10.56	4.28	12.35	22.38	1147.87	1148.38	1151.48	966.47
48 Miscellaneous (26)	1959.44	+1.7	8.89	3.31	12.69	44.44	1926.58	1938.06	1935.62	1282.84
49 INDUSTRIAL GROUP (485)	1211.49	+1.0	9.54	3.80	12.92	27.19	1199.55	1206.97	1203.16	953.58
51 Oil & Gas (15)	2202.21	+1.5	9.80	5.49	13.43	86.84	2169.73	2163.03	2157.52	1741.98
59 500 SHARE INDEX (500)	1295.46	+1.1	9.58	4.02	12.99	32.04	1281.85	1288.21	1284.24	1020.58
61 FINANCIAL GROUP (121)	803.19	+1.1	--	5.19	-	27.17	794.59	798.30	798.45	603.41
62 Banks (9)	805.57	+1.3	21.41	6.20	6.14	35.17	795.58	805.84	808.57	664.60
65 Insurance (Life) (8)	1263.23	+1.6	--	5.01	-	46.80	1243.53	1221.95	1208.70	1003.25
66 Insurance (Composite) (7)	657.21	+0.6	--	5.75	--	24.09	653.41	657.98	660.52	527.83
67 Insurance (Brokers) (7)	1036.31	+2.0	7.26	6.06	18.37	44.55	1016.33	1003.19	996.53	936.71
68 Merchant Banks (10)	410.62	+2.1	--	3.98	-	9.70	402.22	393.30	393.58	334.18
69 Property (49)	1323.22	+0.9	6.67	3.07	19.10	20.77	1311.96	1321.24	1323.84	1193.43
70 Other Financial (31)	356.73	+0.2	11.16	6.19	11.55	13.23	356.06	360.90	361.60	359.68
71 Investment Trusts (69)	1258.06	+0.5	–	2.70	-	19.94	1251.89	1257.95	1255.49	987.54
81 Mining Finance (1)	703.15	+1.3	10.83	3.83	10.38	22.25	694.16	698.01	690.32	585.50
91 Overseas Traders (8)	1403.20	+1.0	9.70	5.57	11.82	43.67	1389.67	1404.71	1402.41	1295.94
99 ALL-SHARE INDEX (699)	1175.94	+1.0	--	4.17	-	30.52	1163.75	1169.55	1166.47	937.88

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 2	Sep 29	Sep 28	Sep 27	Sep 26	Year ago
FT-SE 100 SHARE INDEX♦	2318.6	+29.4	2318.6	2298.2	2289.2	2299.4	2291.7	2331.2	2336.1	1887.3

FIXED INTEREST

	PRICE INDICES	Tue Oct 3	Day's change %	Mon Oct 2	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.12	+0.09	116.01	–	9.66
2	5-15 years	130.91	+0.04	130.85	–	9.84
3	Over 15 years	140.46	+0.16	140.24	–	11.64
4	Irredeemables	162.99	+0.33	162.45	–	8.83
5	All stocks	128.62	+0.07	128.52	--	10.11
	Index-Linked					
6	Up to 5 years	138.74	-0.07	138.83	–	2.26
7	Over 5 years	137.24	+0.02	137.21	–	2.89
8	All stocks	137.24	+0.02	137.21	–	2.82
9	Debentures & Loans	110.29	-0.09	110.40	–	8.26
10	Preference	88.43	-0.29	88.69	–	4.71

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 3	Mon Oct 2	Year ago (approx.)
	British Government				
1	Low	5 years	10.20	10.21	9.76
2	Coupons	15 years	9.58	9.60	9.39
3		25 years	9.44	9.46	9.09
4	Medium	5 years	11.11	11.12	10.18
5	Coupons	15 years	9.96	9.97	9.61
6		25 years	9.54	9.57	9.26
7	High	5 years	11.22	11.24	10.28
8	Coupons	15 years	10.16	10.17	9.77
9		25 years	9.70	9.71	9.33
10	Irredeemables †		9.49	9.53	9.08
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.55	3.52	3.28
12	Inflation rate 5%	Over 5 yrs.	3.62	3.62	3.88
13	Inflation rate 10%	5yrs.	2.73	2.70	2.19
14	Inflation rate 10%	Over 5 yrs.	3.45	3.45	3.71
15	Debs &	5 years	13.21	13.00	11.76
16	Loans	15 years	12.25	12.17	11.22
17		25 years	11.62	11.57	10.87
18	Preference †		10.45	10.35	10.23

♦Opening index 2300.0; 10 am 2303.6; 11 am 2304.4; Noon 2303.6; 1 pm 2303.2; 2 pm 2306.2; 3 pm 2310.3; 3.30 pm 2309.6; 4 pm 2311.4 (a) 5.01pm (b) 9.31am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	65	17	22
Corporations, Dominion and Foreign Bonds	18	1	22
Industrials	504	282	808
Financial and Properties	220	73	376
Oils	39	16	38
Plantations	1	0	10
Mines	40	42	92
Others	108	46	96
Totals	995	477	1,464

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
57	F.P.	-	66½	57	Babcock Intl. Group 10p	57¾	+¾	u3.0	1.7	6.9	10.0
120	F.P.	-	133	123	Birse Group 10p	133	+1	L4.25	2.3	4.3	10.2
†	F.P.	-	32½	31	*Blackland Oil 10p	32	-½	-	-	-	-
$100	F.P.	-	128	108	♦Bloomore Intl. 10p	123	-2	u5.2	1.9	5.6	17.9
574	F.P.	-	82	74	♦Brandon Hire 10p	79		u3.33	1.6	5.6	11.8
♦	F.P.	-	£20¼	£20¼	Buchmann-Tetterode DF15	£20¼		Q54.2%	2.5	3.7	10.7
$110	F.P.	-	119	110	♦Cooper Clarke Group 10p	113	-1	u4.5	1.9	5.3	9.1
85	F.P.	-	96	84	♦Diamond Group Hldgs. 5p	85		L1.13	4.7	1.8	16.1
-	F.P.	-	865	750	♦Elan Corporation Ir4p	750		-	-	-	73.1
50	F.P.	-	53	50	♦Essex Furniture 5p	51		u1.88	2.3	4.9	11.5
Ir96	F.P.	-	95	93	♦FBD Hldgs. Ir50p	93		u03.2%	5.2	1.5	13.4
100	F.P.	-	102	100	Greyfriars Inv	101		-	-	-	-
-	F.P.	-	105	94	Leveraged Opportunity Tst.	101		-	-	-	-
-	F.P.	-	61	53	Do. Warrants	61		-	-	-	-
†	F.P.	-	481	456	Mitsubishi Elect. Crp.Y50	463	-12	Q16%	2.9	0.8	44.8
90	F.P.	22/9	110	95	Nth. American Gas Inv Tst.	96	-1	K3.75	-	5.2	-
-	F.P.	-	51	43	Do. Warrants	45		-	-	-	-
♦	F.P.	-	168	163	PFG Hodgson Kenyon 10p	163	-1	-	-	-	-
150	F.P.	-	52	46	Pacific Horizon Inv Tst10p	48	+1	-	-	-	-
-	F.P.	-	27	23	Do. Warrants	25	+1	-	-	-	-
-	F.P.	-	25	17	Pacific Prop. I.T. Wrnts	24		-	-	-	-
†	F.P.	-	475	340	Presidio Oil "A" 10c	460		Q2.5c	-	0.3	-
†	F.P.	-	792	774	Saitama Bank Y50	782	-10	Q13%	4.7	0.4	59.0
105	F.P.	-	123	111	♦Smith (James) Estates	123		u3.0	0.9	3.3	36.1
-	F.P.	10/7	186	63	WPP Warrants	142	-1	-	-	-	-
$109	F.P.	-	121	115	♦Westminster Scaffold.10p	121	+1	R5.0	1.6	5.5	13.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	104p	101p	Bowater Inds. 7.75pc Cv. Pf.	104p	+3
105p	F.P.	-	108½p	101½p	British Aerospace 7.75p (Net) Cv. Pf.	102p	
100	Nil	-	2¾pm	1½pm	British Airways Cap. 9¾pc Cv Cap.	2½pm	+½
100p	F.P.	14/9	102p	92p	♦Corton Beach 7.5p(Net) Cv. Pf.	92p	
♦	F.P.	-	51p	50p	Gartmore Am. Secs. Zero Div Pf 5p	50p	
100p	F.P.	28/7	104p	96p	Hartwell 7⅞p (Net) Cv.Pf. £1	96p	-1
100p	F.P.	-	106p	101p	♦Kunick 8.25p Cnv.Rd.Pf	104p	
$100	F.P.	-	105	100	Leveraged Opportunity Tst Cv Uns Ln	102½	
100p	F.P.	-	107p	93p	London Secs. 8¼pc Cv. Rd. Pf.	93p	-1
$100p	Nil	-	2pm	½pm	Lookers 8pc Cnv.Rd.Pf	½pm	
-	F.P.	-	100	99¼	Nationwide Anglia 13⅝pc Bds. 13/8/90	99½	
-	F.P.	-	100	99¾	Do. 13¼pc Bds. 3/9/90	99¾	
$99.1	F.P.	-	107	99⅛	Do. 4.25pc Index-Linked 2024	104½	
100p	F.P.	-	103p	98p	Owen & Robinson 8¼pc (Net) Cv. Pf.	100p	
♦	F.P	-	88p	85p	PFG Hodgson Kenyon 6¾pc Pf. '91-2001	85p	
100p	Nil	-	3pm	1½pm	Ransomes 8.25p (Net) Cv. Pf. 12½p	2pm	
$100	F.P.	21/8	105½	101½	Renaissance Hldgs 8.5pc Cv Ln 1994	101½	
121	F.P.	-	121	116½	Scot Am Inv Eq Index Uns Ln 2004	117	+½
$420p	P.P.	10/7	138p	107p	Tipbook Units	125p	-1
$100p	F.P.	25/7	121p	100¼p	WPP 8.25p Cv.Rd.Pf. 10p	115p	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
66	Nil	-	9pm	6pm	♦Acsis Group 10p	7pm	
245	Nil	-	25pm	5pm	Canning (W)	5pm	-1
160	Nil	-	13pm	7pm	Colefax & Fowler	8pm	
125	Nil	-	13pm	7pm	Evered	13pm	+4
40	F.P.	18/10	45½	40¾	♦Explaura Hldgs. 5p	40¾	
245	Nil	-	95pm	71pm	Polly Peck Intl. 10p	79pm	-1
k53	Nil	-	39pm	21pm	♦Tasker Resources	33pm	-4
330	Nil	-	41pm	23pm	Wace Group 20p	23pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ¶ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Sep 25
- Last Dealings Oct 6
- Last Declarations Dec 21
- For settlement Jan 6

For rate indications see end of London Share Service

Calls in Regentcrest, Costain, Tusker, FKI, Atlantic Res, Finlay, J. Apricot, Honorbilt, Kelt Energy, Ferranti, Far East Res, Eurotunnel Wrnts, BTR Wrnts, Brasway, Tubular Exhib, Medirace.

LONDON TRADED OPTIONS

LONDON options were caught up in renewed speculation about the likely movement in the stock market, while individual options were boosted by takeover talk.

The FT-SE 100 option took its cue from the underlying FT-SE index, which reversed some of the recent losses and closed up 29 points.

The FT-SE 100 option accounted for around a third of all volume yesterday, trading 14,308 contracts, of which 5,335 were calls and 8,973 were puts.

The most actively traded series was the October 2,200 put, which turned over 2,065 contracts.

Dealers reported good two-way business, though much of it was between market makers and did not reflect fresh institutional activity.

Following on from Monday, the trend was towards selling puts and buying calls, with premiums rising. Dealers said this reflected a belief that despite yesterday's strong rise, the stock market still had potential to trade higher.

Of the company options, Grand Metropolitan was the busiest, reflecting speculation that if Sir James Goldsmith does not succeed in acquiring BAT he may turn his attention to GrandMet. GrandMet traded 2,766 contracts, of which 1,403 were calls and 1,363 were puts.

The most active series was the April 550 put, which turned over 600 lots.

United Biscuits also attracted attention as a possible takeover target by Sir James. It traded 1,365 contracts, of which 1,350 were calls and 15 puts.

The busiest series was the January 420 call, trading 1,200 contracts.

Asda again featured as takeover talk ensured that it was actively traded.

It turned over 1,903 contracts, of which 1,129 were calls and 774 were puts. The January 180 call was the most actively traded series, with 823 contracts changing hands.

Total turnover on the options market amounted to 37,640 contracts, of which 21,885 were calls and 15,746 were puts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*519)	500	20	46	64	6	19	24
	550	5	22	38	37	46	48
Brit. Airways (*210)	180	32	37	44	¼	2	3½
	200	14	21	28	2½	7	9
	220	3½	11	18	13	15	18
Brit. Com (*144)	140	10	20	25	5	9	10
	160	2	9	15	20	22	23
	180	1½	4	9	38	38	38
Smith Schol (*557)	541	24	47	–	7	16	–
	550	–	–	58	–	–	25
Boots (*287)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.P. (*306)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel (*136)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass (*1050)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C & Wire (*568)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cons. Gold (*1480)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds (*375)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Com. Union (*457)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G.K.N. (*431)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Grand Met. (*595)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
I.C.I. (*1243)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jaguar (*599)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingfisher (*329)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ladbroke (*335)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secur (*568)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M & S (*198)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STC (*341)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury (*273)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans. (*429)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Storehouse (*141)	130	13	20	23	1½	4½	5½
	140	7	12	17	4	8½	11
	160	1½	5	9	20	22	24
Trafalgar (*387)	360	–	–	50	–	–	13
	377	17	28	–	6½	13	–
	390	–	–	34	–	–	28
Utd. Biscuits (*384)	360	28	44	52	5	9	13
	390	9	26	36	15	22	27
	420	5	13	23	42	43	46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Tesco (*200)	180	22	31	–	2	5	–
	200	8	15	21	8	11	12
Option		Nov	Jan	Mar	Nov	Jan	Mar
Abbey Nat. (*149)	140	14	18	22	2	2	3½
	160	5	7½	9½	13	13	12½
Option		Nov	Jan	Apr	Nov	Jan	Apr
ASDA Grp. (*185)	180	17	25	31	9	12	16
	200	8	15	22	19	25	26
Option		Nov			Nov		
Gateway	220	–	–	–	1	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2312)
[illegible]

UK COMPANY NEWS

Melville's maiden results show 43% gain to £7.6m

By Jane Fuller

MELVILLE GROUP, which operates in building services, construction and engineering, made a pre-tax profit of £7.6m on turnover of £111.6m in the year to June 30.

Announcing its first 12-month results since gaining a listing last October, Melville increased its profit by 43 per cent from the previous year's £5.3m, while turnover was up by 36 per cent from £81.7m.

Earnings per share were 13.49p (11.07p) and the proposed final dividend is 3.4p, making a total of 4.9p.

Mr David Anderson, finance director, said that Melville had incurred an interest charge of £800,000. To fund acquisitions, it had borrowed about £10m, giving it a gearing of 80 per cent.

About half of turnover came from Carlton Building Services, split between exhibition work – Melville claims to be Europe's biggest contractor in this field – and refits.

Mr Anderson said that although the higher margins lay in exhibitions, the fitting-out work helped to fill in the troughs.

Mr Edwin Bisset, chairman, said he expected the exhibition market to grow in the run-up to the single European market after 1992. A particular goal would be to win contracts for Expo '92, the world fair in Seville.

He was looking to acquire companies in France and West Germany, where there were many more large halls than in the UK.

On the construction side, Melville had "battened down the hatches" in housebuilding, which had fallen to less than 10 per cent of the division's activities. Mr Bisset was confident, however, that the commercial and industrial market would stay buoyant at least until the end of next summer.

Melville recently acquired Butler Building Products, based in Kirkcaldy, Scotland, which has a franchise network of system builders. Mr Anderson said that Butler, which offers design/build packages, had a strong business in industrial sheds in areas other than the vulnerable eonth-east, where much of Melville's other construction interests are.

On the engineering front, mainly the manufacture of aerosol filling equipment, Melville has benefited from the modifications involved in changing away from ozone-damaging chlorofluorocarbons (CFCs).

This division accounted for about 12 per cent of business in the past year and Mr Bisset said the company was looking for expansion, for example through acquisitions in the related operations of capping or liquid filling.

● COMMENT

Melville showed its potential by increasing profits despite the downturn in the housing market. While putting its foot on the residential brake, it made a shrewd buy in Butler, which can take advantage of the continuing demand for light factories, offices and showrooms. Butler may also expand on the continent, where Melville is already advancing its exhibition contracting. At Gielissen, Melville saye there is considerable scope for making better use of a 120,000 sq ft factory; and if the group makes a purchase in France or Germany, it will further its aim of "trading in overseas countries rather than just with them". The price for this growth is high gearing. This could fall to 50 per cent without acquisitions; but it is more likely to stay high as the strategic buys go on. Pre-tax forecasts for the current year approech £10m for a prospective p/e of 9.

Jefferson Smurfit beats industry gloom

By Maggie Urry

JEFFERSON SMURFIT, the Irish-based, multinational paper and packeging group, last night released interim results for the six months to end July, after the stock market closed. The figures showed a 22 per cent rise in turnover to I£799m and a 11 per cent increase in pre-tax profits to I£120.7m.

Mr Michael Smurfit, chairman, said that results had been achieved despite the gloomier market conditions for the paper industry. A number of acquisitions had been made during the half year.

The group is to put a restructuring plan to shareholders, with details to be sent out "in a matter of weeks," Mr Smurfit said. This plan, outlined in August, involves buying out the minority in the 78 per cent-owned US subsidiary, and then selling most of the group's North American interests to a 50-50 joint venture company, extracting more than $1bn in cash.

Mr Smurfit said the proposals "will have a very profound positive impact on the future potential for the organisation".

Operating profits rose 19 per cent to I£140m, bnt interest charges, associated with the acquisition programme, more than doubled from I£8.1m to I£19.1m, holding back the pre-tax profit gain.

Mr Smurfit said trading results across the group were good, "with margins holding up on healthy sales growth". In the second half "we continue to be busy at all our mills".

However, within the business there were some poor performers. The US newsprint business had suffered a freeze up early in the year, causing losses which were not made up later. That, combined with price discounting in the US newsprint market, despite fair demand, resulted in a "material decline in profit terms," Mr Smurfit said. North American operating profits in total rose 15 per cent to I£90.4m, helped by e favourable exchange rate on translation.

Operating profits in latin American rose by 18 per cent to I£26m, helped by the purchase of the Colombian and Mexican businesses half way through the period, which were previously owned by Container Corporation of America, an associate company. An "outstanding" contribution from Mexico offset a fall in profits from Venezuela, Mr Smurfit said.

In the UK there was a 27 per cent fall in operating profits, to I£3.4m. The Irish contribution was up 2.5 per cent to I£7.6m. The rest of Europe, mainly Spain, the Netherlands and Italy, more than doubled profits to I£12.8m.

Fully diluted earnings per share were 10 per cent up at 23.9p, and an interim dividend of 1.463p was declared, up 7.5 per cent.

Michael Smurfit: good trading results across the group

Acquisitions help Barry Wehmiller to £8.1m

BARRY Wehmiller International, the specialist packaging equipment group, increased pre-tax profits by 55 per cent to £8.1m in the year to July 1989, compared with £5.2m, writes Clare Pearson.

Turnover was up 47 per cent to £54.63m (£37.23m). Earnings per share grew 25 per cent to 22.5p (18p) after tax almost doubled to £2.02m (£1.07m). Earnings growth would have been 33 per cent if a notional 35 per cent tax charge had been applied.

Mr Stewart Brown, chairman, said about £3m had come from acquisitions.

There was a setback in the vision systems division – in the past a strong performer. A complex new product for inspecting the surface of glass containers, proved costly to develop. Divisional operating profits fell to £2.95m (£3.13m).

However, the division had entered the current year with a strong order book.

After a boost from Kartridg Pak, the US aerosol filling equipment concern bought last November, general packaging equipment made operating profits of £2.7m (£1.34m) on sales of £21.28m (£14.45m).

The final dividend is lifted to 3.8p, making 5.6p (4.5p).

● COMMENT

Instead of being disappointed by the level of organic growth within the results, Barry Wehmiller followers took kindly to it, stressing that the disappointing performance by the star division only went to show how inspired the acquisitions had been. In any case, the company seems highly confident that vision systems will be back on track in the current year. There are e number of interesting growth possibilities within the portfolio of businesses: for instance those for exporting the technology of Kartridg Pak, market leader in aerosol filling in the US, which was several years aheed of Europe in switching aerosols onto an ecologically-sound basis. Even though the tax charge will edge up towards 30 per cent this year, earnings per share should etill rise by ebout 15 per cent, implying a prospective p/e of about 10.5: undemanding.

£12m expansion for OT&T

OCEAN Transport & Trading, the distribution and transport group, is spending £12m to expand its environmental services division through acquisitions in the UK and US, writes Jane Fuller.

In the UK, its Ocean Environmental Management division has ecquired Clean-A-Drain of Kent. The company, which will be renamed Cory Jet, has a fleet of vehicles which clean gullies and sewers for councils, water authorities and industrial customers.

In the US, OEML's subsidiary, National Environmental Testing, has acquired Cambridge Analytical Associates, based in Boston, Massachusetts, for about $10m (£6.2m) and Howard Laboratories of Dayton, Ohio. A letter of intent has been signed with respect to the purchase of three further laboratories from Burmah America.

Difficult market for Osborne & Little

By John Ridding

Shares in Osborne & Little, the manufacturer of wallpapers and furnishing fabrics, fell 30p to 185p after a statement that the recession in the housing market and high interest rates had created difficult trading conditions in the UK.

The statement came in an announcement that Osborne had acquired exclusive rights to manufacture and sell wallpapers and fabrics designed by Nina Campbell, the loss-making manufacturer and designer of furnishing products.

Sir Peter Osborne, the chairman, described the fall in the share price as an "overreaction". He was bullish about the second half, he added.

The deal with Nina Campbell would increase turnover and expand the product range without giving rise to material additional overheads, he said.

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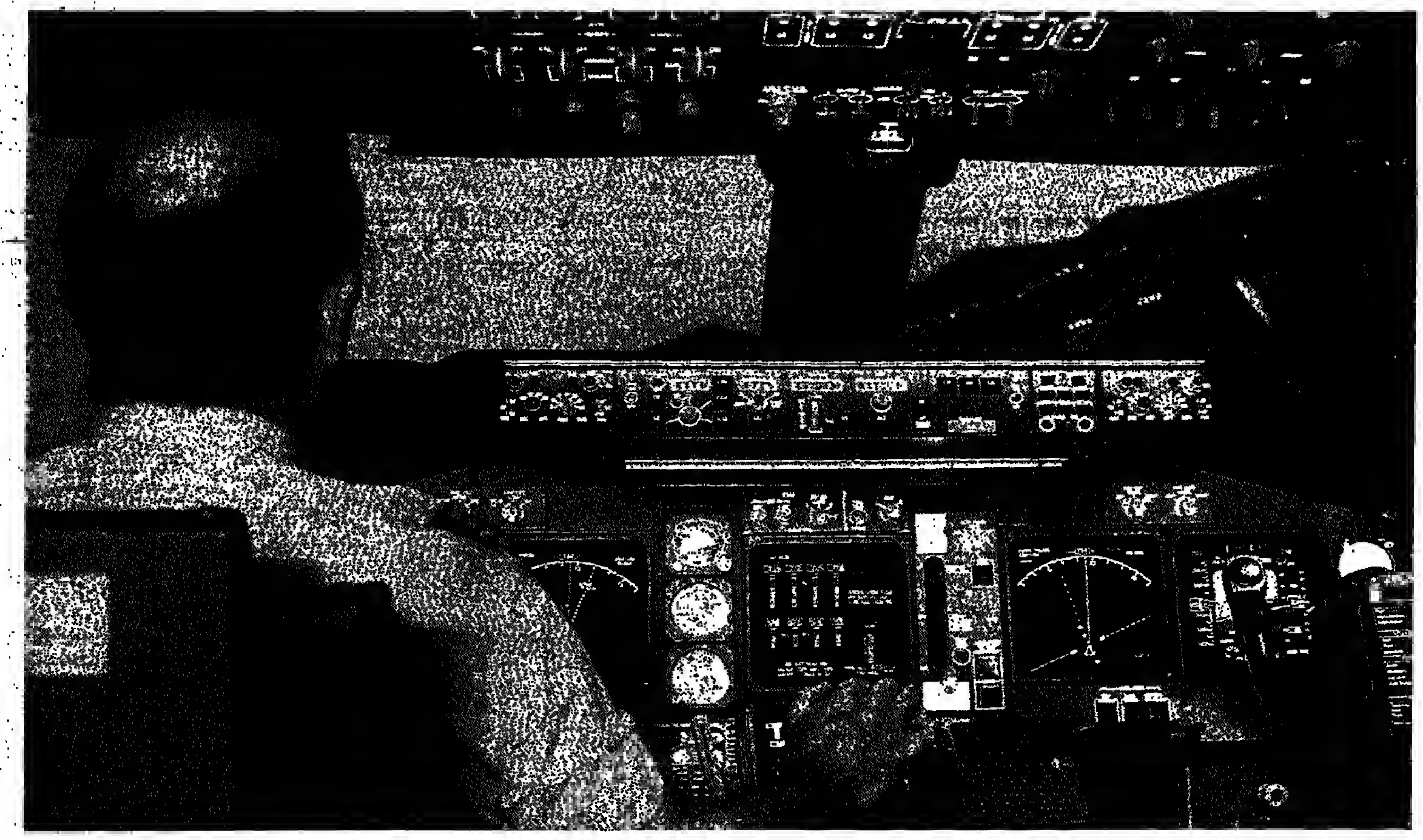

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A change of face for a change in fortunes

Andrew Hill looks at the restructuring which has taken place at MB Group

STAID shareholders winced when Metal Box opted for anonymity last year by changing its name to MB Group, but since that minor cosmetic surgery, the very heart of the company has been transplanted and replaced.

In April, MB merged its core packaging interests with those of Carnaud, the French packaging company, and yesterday MB seemed to have completed the operation, when it announced a £338m agreed bid for the building products group Caradon.

Turnover figures for the enlarged group at last give investors an idea of the shape of their revitalised company, and silence those who described MB as the rump of the old packaging group.

Of combined annual sales of nearly £700m, about 75 per cent should now come from bathroom and central heating products, and the balance from security printing. The group is hoping to increase the overall figure for sales to more than £800m by the early 1990s.

One must also add MB's 25.5 per cent share of profits at CMB Packaging, the product of the Carnaud deal. Analysts believe that could represent about 31 per cent of MB's annual profits, with 20 per cent coming from security printing and just under half from building products.

MB has had its eye on Caradon for 18 months, according to Mr Brian Smith, MB's chairman. It is easy to see the attraction: the deal gives MB a formidable range of building product brand-names, including Twyfords, Mira and Stelrad Doulton in bathroom products, through to Terrain plastic plumbing and Everest double-glazing.

The combined group will be second only to Armitage Shanks, a subsidiary of Blue Circle Industries, in the UK ceramic sanitaryware market, with a share of 28.2 per cent to the leader's 28 per cent. Caradon products, says MB, can be marketed through its existing Stelrad distribution network in mainland Europe.

But why is Caradon happy to give up its independence? After all, it was bought by its management from Reed International only four years ago and floated on the Stock Exchange two years later. One reason must be price: shareholders in at flotation bought a stake in a group worth £134m; the MB deal values the company at 2½ times thet price.

Caradon's budget for 1989-90 took account of the slowing of demand for building products, and estimates for the first half, to October 1, show that profits grew by more than 10 per cent. The estimated pre-tax figure of £17m was slightly beneath analysts' expectations, but was still achieved against a background of slackening demand in the first quarter.

But Mr Peter Jansen, Caradon's deputy chairman and chief executive, says he and his directors were beginning to get frustrated by the market's dim view of growing companies in the sector.

"It's a matter of our ability to raise finance on a basis which we are a comfortable with," Mr Jansen said yesterday. "[In the current climate] I think it's very difficult for a medium-sized company such as Caradon to make the sort of acquisitions we want to make on the continent."

Caradon's directors must also be pleased with the role they have won at the enlarged group.

MB has paid a premium not only for Caradon's brands but for its dynamic and respected management team. So neat does the deal look for Caradon, that to some observers it appears more like a reverse takeover than an agreed bid.

Mr Jansen and Mr Tim Walker, Caradon's managing director — both former directors of Redland, the building materials group — join the MB board as executives.

Mr Jansen was already describing MB as "a vehicle into which we fit well" yesterday. He becomes chief executive and Caradon's finance director, Mr Daniel Cohen, takes the same role at MB. Meanwhile, Mr Murray Stuart, MB's chief executive, moves up to the executive chairmanship, and Mr Brian Smith, credited with much of the work behind MB's transformation, stands down after nearly four years as chairman.

If there is a danger, say analysts, it is that MB, like Caradon, will be pigeon-holed with building products companies, despite the cash-generative qualities of the security printing operation. That division was boosted less than a month ago by the $300m acquisition of ABS Holdings, a US cheque-printer.

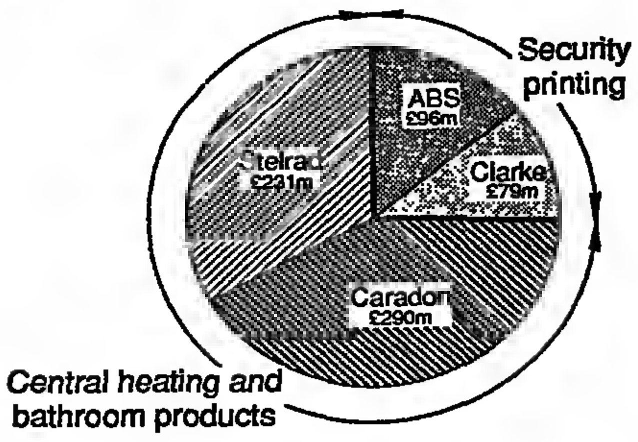
The immediate expertise of the key directors and the balance of the group's sales tend to support the argument, but MB's chairman elect, Mr Stuart, was quick to deny yesterday that the new board — half Caradon, half MB — would favour the larger building products side to the detriment of security printing.

"What we have here are three excellent core businesses: this is a well-balanced group in terms of activity, trade cycles and currency — it really is a very good mix," Mr Stuart said yesterday.

The enlarged MB also has the ability to move quickly on subsequent deals in any sector. The CMB stake increases in value almost daily — it now stands at over £400m.

The MB line-up: (left to right) Brian Smith, retiring as chairman, Murray Stuart, the new chairman and Peter Jansen, the new chief executive, and Antony Hichens, the Caradon chairman who will become an MB non-executive director

MB Group : annualised sales



Millwall kicks off on USM with £13m price tag

By Philip Coggan

MILLWALL, the south London football club which has moved into profit since its promotion to the First Division, is joining the Unlisted Securities Market valued at £13m.

The club will be hoping that the City takes a more positive view of its prospects than might be suggested by its supporters distinctive chant — "No-one likes us, we don't care".

Like its quoted north London rival Tottenham Hotspur, Millwall will hope to expand in the leisure business to avoid dependence on fragile football earnings. The football club itself will be a subsidiary of the quoted company Millwall Holdings.

The bulk of the shares being issued - 20m out of 25m — is being placed with institutional investors. But 5m shares will be available to the public, including the club's 11,000 loyal members, who will be sent prospectuses and application forms. Enthusiasts will need to subscribe for a minimum of 500 shares, equivalent to £100 at the offer price.

Only in the most recent period of its three-year track record — the 12 months to July 31, 1989 — has Millwall made a trading profit. Promotion to the First Division meant more than doubled match receipts and a sixfold increase in income from the League and Football Association, resulting in trading profits of £212,000. But a deficit of £929,000 on transfer fees led to a pre-tax loss of £717,000.

Like other football clubs, Millwall has the problem that its biggest asset — its playing staff — cannot be included on the balance sheet. Its major asset is its ground, the Den, which has a balance sheet value of about £2.02m, although Millwall recently received a higher valuation of £3.5m.

Net assets per share are about 8p, although including the insured value of the players this would rise to 17p.

Millwall hopes to move to a new purpose-built ground — 800 yards from the current site — by 1992. The new stadium would have a ground capacity of 30,000, of which between 20,000-25,000 would be seats. The Den would be developed as housing.

The stockbroker to Millwall's offer is Jacobson Townsley and dealings are expected to start on October 16.

Nissan contradicts Cook statements and denies policy change

By John Thornhill

NISSAN UK has contradicted statements made last week by DC Cook, the USM-quoted motor distributor, and has denied changing its franchising policy. The company, which represents the Japanese car manufacturer in the UK, said it continued to give full support to its 225 independent franchised dealers and was looking to increase their number.

Nissan was responding to remarks by Cook which implied that the dealer's annual profits had been severely affected by a change in Nissan's franchising policy.

At a press conference called to announce its annual results last week, Cook said five of its dealerships had been terminated — resulting in large exceptional re-franchising costs — after a change of policy by a large car manufacturer. Cook claimed that in the year to April 30 pre-tax profits had plummeted from £5.2m to £514,000 largely as a result of the disruption caused by the termination of these dealerships.

Cook declined to state explicitly who the manufacturer was or why the dealerships were terminated, in order not to prejudice possible legal action and its continuing relationship with the company. Nevertheless, in response to persistent questioning, Cook implied the manufacturer was Nissan.

While agreeing that it had terminated five Cook dealerships, Nissan said: "Newspaper claims that Cook's profits dropped in the financial year ended April 1989 as a result of the closure costs of the Nissan-terminated dealerships are factually incorrect because Nissan UK allowed him [Mr Derek Cook, chairman of DC Cook] to take full advantage of his Nissan franchises for the whole of 1988 and to sell all the cars he agreed; even more if he wished."

Nissan added that the costs of the termination were nil because it had compensated Cook by taking back cars, spare parts and other stock.

The company also said that it was Cook which first unexpectedly approached it on March 17 1988 to discuss the restructuring of its franchise network and asked Nissan to buy some of its outlets and allow it to relinquish others.

"After checking the locations of the Cook sites offered for sale we concluded that what was on offer was unsatisfactory in terms of price and suitability and location. We did not buy any. In view of his plans we gave him notice of termination in accordance with his agreements in Barnsley, Scunthorpe, Doncaster, Rotherham and Chesterfield to secure the future of these markets for Nissan," Nissan claimed.

But it allowed Cook to continue to trade as a main Nissan dealer throughout 1988 and in some cases into 1989. According to Nissan, Cook sold only 4,485 of the 6,300 Nissan cars he was contracted to sell in 1988.

Mr Derek Cook yesterday said: "We have read the Nissan statement, but basically the only thing I can say is that there are a number of points which are incorrect. Otherwise I am advised to say that I cannot discuss it in detail."

However, he reaffirmed that everything the company had said at the time of releasing its results had been correct.

This August, after another approach from Cook, Nissan agreed to buy two dealerships for a seven figure sum. Of its original nine Nissan sites, Cook still retains two, in Worksop and Sheffield.

River & Mercantile ordinary shares allocation in Extra Income trust

The basis of allocation of ordinary shares in River & Mercantile's Extra Income investment trust was announced by the fund management group yesterday, after the public offer had been more than 30 per cent oversubscribed, writes Clare Pearson. Preference is given to those applicants intending to renounce shares in the new issue immediately and transfer them to one of two new River & Mercantile PEP schemes.

Of the 30m shares in the trust 7.5m were offered to the public and have been allotted, after a ballot, adjusted in the following way.

●Where applications were accompanied by a R&M PEP application form:

less than 2,400 shares applications rejected

where successful after the ballot – 2,400 or 4,800, allotted in full; between 2,400 and 4,800, 2,400; more than 4,800, 4,800.

●Applications not accompanied by a PEP application form:

2,400 or 4,800, allotted in full; applications for any other number rejected. PEP regulations normally allow only half of the permitted maximum per person (£4,800) to be invested in an investment or unit trust; but under the Budget concession shares in new issues, including those of investment trusts, can be transferred into a PEP within 30 days of the allocation date.

Consortium withdraws plans for Eagle Trust

By Philip Coggan

THE consortium led by Mr Andrew Fitton, the chief executive of industrial services group Braithwaite, has withdrawn its plans to invest in Eagle Trust, the mini-conglomerate which is the subject of a Serious Fraud Office investigation.

The withdrawal follows the appointment last week of Mr David James, a company doctor, as chairman of Eagle. Mr James plans to run the Eagle group without significant sell-offs.

Mr James hopes to call an annual meeting for November, at which shareholders can approve a new board of directors, who will be announced later this week. Shares in Eagle have been suspended since May.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barry Wehmiller ......fin	3.8	Dec 5	3	5.6†	4.5
Doeflex ......int	1.32	Nov 21	1.15	-	3.5
EFM Dragon Tst ......fin	nil	-	0.03	nil	0.03
Hay (Norman) ......int	0.76	Dec 4	0.66	-	2.16
Holt (Joseph) ......int	7	-	6	-	23
HTV ......fin	3.5	Nov 24	2.867*	5	3.9*
Lowe Howard ......int	4.7	-	4	-	12
Melville Gp ......fin	3.4	Nov 24	4.2	4.9	4.2
Raine Industries......fin	3.5 †	-	2	5	3
Smurfit (Jeff)‡‡ ......int	1.463 †	-	1.351	-	4.372
Ward Gp ......int	2.4	Nov 20	1.8	-	5.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¢Third market.‡‡ Irish currency

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Beckman (A), Early's of Witney, Fortnum & Mason, Grampian, Harrisons & Crosfield, Hewden Stuart, Higgs & Hill, Kelsen, Martin (Albert), Quarto, Sears, Wensum.
Finals- Audit & General, Cramphorn, Lawtex, Maunders (John).

FUTURE DATES

Interims-

Bio-Isolates	Oct. 9
Boot (Henry)	Oct. 18
Harding	Oct. 19
Lawrence (Walter)	Oct. 10
Musterlin	Oct. 10
NMC	Dec. 19
Rexial	Oct. 17
Slingsby (HC)	Oct. 13
Todor	Oct. 17
Finals-	
Lowndes Queensway	Oct. 12
Norex	Oct. 9

GROWTH Through MANAGEMENT

HIGHLIGHTS OF THE YEAR

Results for the Year ended 30 June 1989

	1989	1988	Increase
Turnover	296·18m	209·69m	41%
Pre tax profit	23·29m	13·48m	73%
Earnings per share	12·7p	8·6p	48%
Dividends per share	5·0p	3·0p	67%

"We have completed another year's excellent progress. Recognising the current turbulent economic climate we have every expectation that our successful growth record will be continued."

Peter W. Parkin, Chief Executive

Hall & Tawse Group Limited

HASSALL HOMES

Plumb

Copies of the Report and Accounts are obtainable from Raine Industries plc, Ashbourne Road, Mackworth, Derby DE3 4NB.

RAINE INDUSTRIES

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Millwall Holdings PLC

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4th October, 1989

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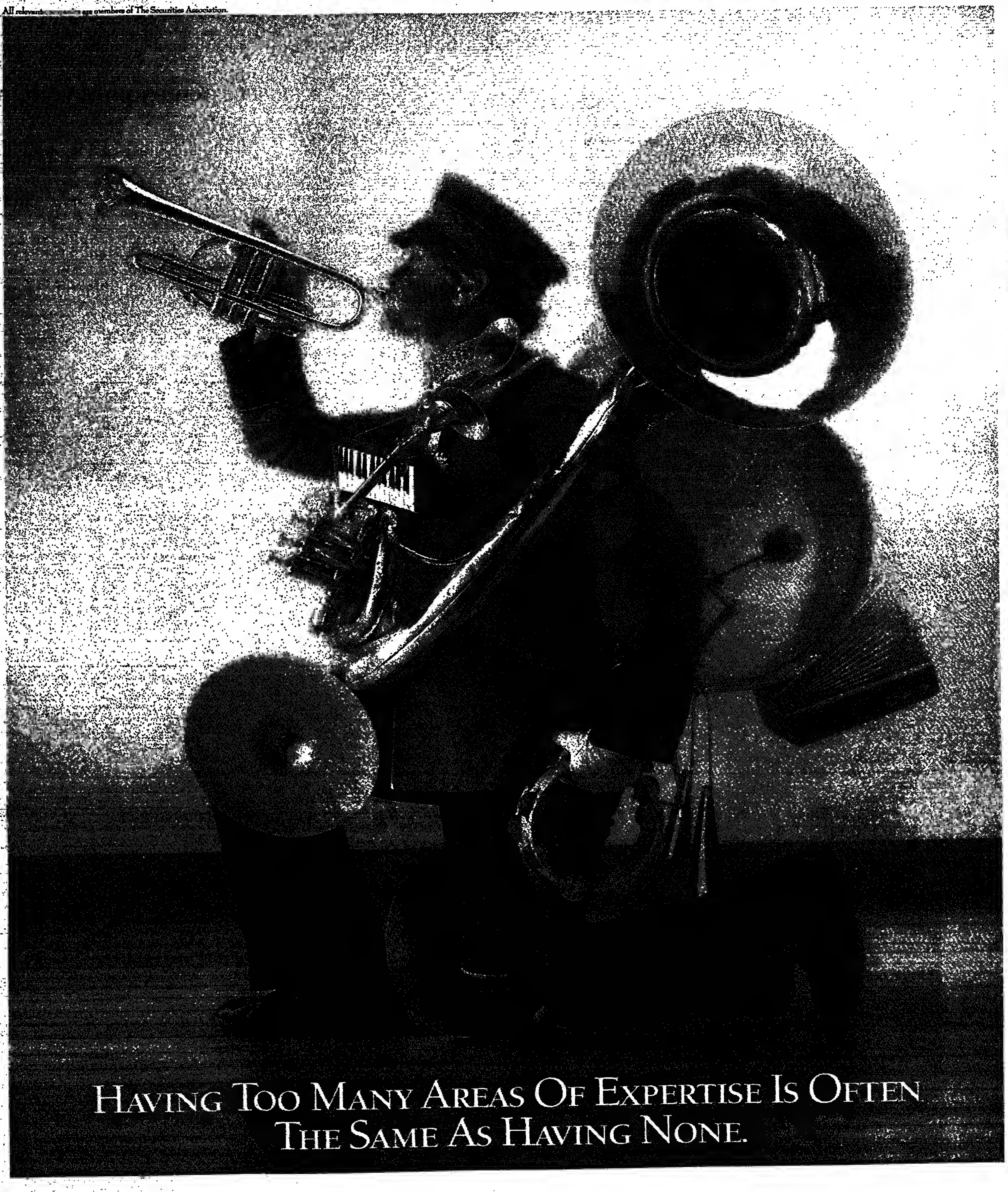

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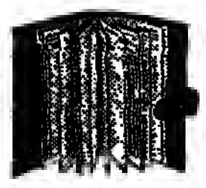

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UK COMPANY NEWS

HTV's £18m beats City forecasts

John Ridding

HTV, the ITV franchise holder for Wales and the west of England yesterday announced e 25 per cent increase in pretax profits for the year to July 31, from £14.38m to £18.02m, despits exceptional costs of £2.1m and an increased exchequer levy payment.

The results came in almost £2m ahead of market expectations, and shares rose 6p to 135p.

But Mr Patrick Dromgoole, managing director, warned of "a considerable slowdown in the rate of advertising revenue growth since the end of the period".

He said; "We will be extremely fortunate if we see more than 7 per cent growth this year" compared with an 12 per cent increase in the year under review.

The improvement during the year included e £1.1m contribution towards operating profit arising from accounting changes which place e greater proportion of programme costs on the balance sheet until transmission.

The increase also reflected a sharp rise in overseas programme sales, from £11.9m to £18.8m and e contribution of £849,000 (£156,000) from the group's fine art operations, reflecting the acquisition in March of CCA Publications.

Sir Melvyn Rosser, chairman, said: "This has been an outstanding year in several respects".

He said that the reorganisation of the group into several discrete business areas was complete.

The lion's share of profits came from advertising revenues which increased from £91.1m to £101.8m. Its share of total network revenne was held constant at 6.35 per cent, defying the trend of revenue drift to southern and southeast England.

The continuing diversification of the group meant that 38 per cent of sales derived from non-advertising sources, such as video production, marketing, and fine art. Development of certain of the group's properties, through e joint venture, is also starting.

Profits were not similarly broken down, but Mr Dromgoole said that by the end of the current franchises 50 per cent of profits would come from non-advertising sources.

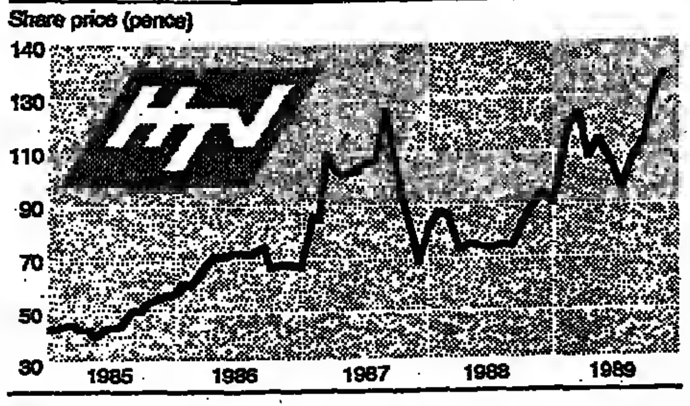
The exceptional item resulted from the reduction in staff numbers by 160 to 930, almost exclusively through a voluntary redundancy programme.

Group turnover increased from £91.12m to £101.83m and the total dividend rises from 3.9p to 5p via a proposed final payment of 3.5p. Earnings per share increased to 17.24p (14.83p).

The year-end is being changed to the end of December and the next figures will cover the five months to that date.

HTV Group

Share price (pence)



● **COMMENT**

The figures reflect an impressive performance from HTV, particularly given the disruption arising from rationalisation and reorganisation. Although peinful, the increased efficiency will help offset the increased burden of the new levy system to be introduced next year which will add up to £2m to HTV's exchequer payments. In ths shorter term, the slowdown in advertising growth is an obvious cause for concern although the first half weighting of revenues and CCA will see pre-tax profits exceed £10m for the current five-month period with a figure of £21m for calendar 1990. The broader strategy of diversification is doing the bottom line no harm. But market reservations about HTV's policy persist and continue to limit the share price to e meagre prospective rating of just over 7. Given that, the name of the game in TV stock valuation is increasingly assets rather than earnings – e reflection of the danger of franchise loss - HTV's properties and programme library suggest this is a little cheap.

Housebuilding pushes Raine to £23m

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Raine Industries, the housebuilder, contractor and commercial interior decorator, jumped 73 per cent, from £13.48m to £23.29m, during the 12 months to the end of June.

The dividend is raised 67 per cent to 5p (3p), the final being 3.5p. Earnings moved ahead 48 per cent to 12.7p (8.6p).

Raine builds 75 per cent of its houses in the north of England and in Scotland, where housing markets have been much stronger than in the south.

Housebuilding profits rose from £5.76m to £14.38m, equal to 61 per cent of the group total. A little more than 1,500 houses were sold at an average price of £58,000, against 1,150 at £51,500 in 1987-88.

The latest year included a full 12 months from Fletcher Homes, acquired in March 1988 from Evered. Mr Peter Parkin, Raine's chief executive, said there had been e substantial improvement in margins at Fletcher since it was bought.

This year Raine was planning to build 1,600 homes but it did not expect prices would continue to rise as fast as this year.

"Our everage price may rise to above £60,000, but not by much. Northern regions, where house prices relative to wages are much lower than in the south, will remain relatively stronger than southern England where prices are up to five times average earnings," said Mr Parkin.

He said profits from the Plumb shop fitting and interior decorating business, ecquired in March, had made only a marginal impact on that division's profit of £1.69m (£1.27m). It would generate about a fifth of profits in the current year.

Plumb is Britain's biggest commercial interior decorator. It also has a 65 per cent stake in a large West German interior decorator.

Raine's third arm was its contracting and property development business where profits rose from £6.45m to £7.21m. Contracting turnover, of which four fifths was already in hand, was expected to rise by about 15 per cent this year to £190m.

Group turnover in the year rose from £209.69m to £296.18m.

● **COMMENT**

Raine's acquisitive nature has worked to its disadvantage in that prospective shareholders have been slightly unsure of what they might be getting into. In between the purchases of Fletcher Homes and Plumb, the group was outbid for Ruberoid, the roofing business, by Tarmac. The hectic pace has meant there has been little opportunity to take stock of the group's main businesses of housebuilding, contracting and property and commercial interior decorating. Housebuilding in the north and in Scotland cannot defy gravity for ever and sales will be harder to achieve this year; Raine's concentration on first-time buyers will help however. Contracting continues to look strong and order books are full. Plumb will also contribute e full year's profits. Forecasts for this year vary from £28m to £32m depending on what view is taken of the northern housing markets. A prospective pe of a little more than 6 reflects these doubts but does not take account of the yield which has increased substantially

Reg Vardy coming to main market with £28.5m value

By Clare Pearson

REG VARDY, e multi-franchise motor group based in the north east of England, is coming to the main market via e £7.1m placing which values the company at £28.5m.

Only 422,222 of the 7.9m shares placed, at 90p each, are being sold by existing shareholders. Net of expenses, the issue raises £6.4m for the group. Mr Peter Vardy, chairman, will have e beneficial interest in 71.36 per cent of the enlarged share capital.

The historic p/e ratio at the placing price is 8.56, on e tax charge of 33.2 per cent. The company made pre-tax profits of £3.81m on sales of £85.62m in the year ended April.

Reg Vardy sells specialist cars, including BMWs and Ferraris, and volume cars, including Fords, Renaults and Fiats, from 15 locations mainly in the north east.

There is no profits forecast. The placing is arranged by Panmure Gordon.

Butte pays £4m for Gramcol

BUTTE MINING, which has silver, gold and base metal interests in Montana, is to issue shares worth at least £4m for Gramcol, e private company based near Stoke-on-Trent, Staffordshire, which processes zircon to produce an opacifier used by the ceramics industry, writes Kenneth Gooding.

Butte also announced yesterday that its taxable profit for the six months to June 30 1989 rose from £39,371 to £193,140.

The board intends to issue an initial 10m shares for Gramcol at 40p each compared with recent market prices between 39p and 43p. The company was floated just before the October, 1987 stock market crash at 100p e share.

If Gramcol's net profit exceeds £500,000 in any of the next three years, the vendors can receive further sums in cash or shares at Butte's option with an overall aggregate limit of £12m.

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	343	0	10.3	3.0	9.2
38	28	Armitage and Rhodes	30	0	-	-	-
210	149	Bardon Group (SE)	190	-2	4.3	2.3	18.4
125	105	Bardon Group Cv. Pref. (SE)	118xd	-2	6.7	5.7	-
123	85	Bray Technologies	85	0	5.9	6.9	7.5
110	105	Brewhill Conv. Pref	105	0	11.0	10.5	-
104	100	Brewhill 5¾% New C.C.R.P.	104	0	11.0	10.6	-
305	265	CCL Group Ordinary	288	0	14.7	5.1	3.6
176	168	CCL Group 11% Conv.Pref	168	0	14.7	8.8	-
225	140	Carbo Plc (SE)	225	0	7.6	3.4	13.2
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	3.125	Magnet Go Non-Voting A Cur*	3.75	0	-	-	-
5	1.375	Magnet Go Non-Voting B Cur*	1.625	-0.125	-	-	-
130	119	Isis Group	128	0	8.0	6.3	7.5
145	58	Jackson Group (SE)	119	0	3.6	3.0	13.8
322	261	Multihouse NV (AmSE)	300	0	-	-	-
158	98	Robert Jenkins	158	+2	10.0	6.3	5.7
467	365	Scrutons	370xd	+5	18.7	5.1	9.8
298	270	Torday & Carlisle	298	0	9.3	3.1	10.4
117	100	Torday & Carlisle Cnv Pref	110	0	10.7	9.7	-
122	92	Trevian Holdings (USM)	103	0	2.7	2.7	11.1
141	106	Unistrat Europe Conv Pref	144xd	+3	9.3	6.5	-
395	355	Veterinary Drug Co. Ltd	380	0	22.0	5.8	9.4
370	327	W.S Yeates	330	0	16.2	4.9	27.5

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TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 10 October 1989

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 900 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 10 October 1989. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 900 million of Bills to be issued by tender will be dated 12 October 1989 and will be in the following maturities:
ECU 300 million for maturity on 16 November 1989
ECU 300 million for maturity on 11 January 1990
ECU 300 million for maturity on 12 April 1990

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 10 October 1989. Payment for Bills allotted will be due on Thursday, 12 October 1989.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 12 October 1989 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989. All tenders will be subject to the provisions of that Information Memorandum.

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 12 April 1990. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum in order to facilitate settlement.

10. Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
3 October 1989

A RECENT DEAL REAPED AN INTERESTING DIVIDEND.

While few issues seem as diverse as Third World debt and the environment, they've now been linked in an innovative "debt-for-nature" swap.
In this swap, Third World debt is purchased by industrialized nations and donated to the debtor governments to reclaim land for environmental preservation.
At Salomon Brothers, for example, we recently purchased a significant amount of outstanding Costa Rican debt for the Kingdom of Sweden. In return for Sweden's forgiving the debt, Costa Rica committed to protect a 210,000 acre tropical forest.
By giving aid in this form, Sweden helped not only Costa Rica, but the entire world, because Costa Rica was able to maintain natural resources instead of having to sacrifice them for short term gains.
As for us, we were able to play a part in the largest debt-for-nature swap to date. More than that, we had the chance to help enrich the world.
In a much different way than securities firms usually do.

Salomon Brothers

UK COMPANY NEWS

Ward Group more than doubled at £6.4m midway

By Peter Franklin

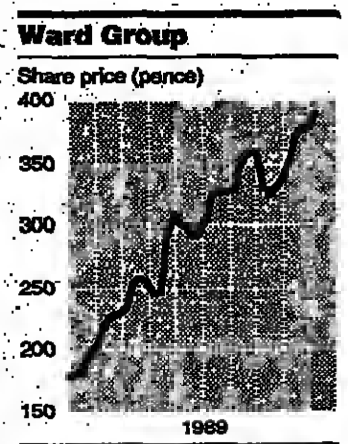
MORE-THAN-doubled pre-tax profits were reported yesterday by Ward Group, the North Yorkshire-based structural steel and building components company, for the six months to June 30.

The group, which has substantial operations in Europe, made pre-tax profits of £6.43m compared with £3.06m last time. This result was achieved from a 17 per cent increase in turnover to £73.67m (£63.18m).

Mr Nigel Forsyth, the chief executive, said that of the group's 16 principal operating subsidiaries, eleven had contributed positively during the first six months and the remaining five were expected to turn in profits within the next year.

The addition of Abbseal, a glass processor bought in July for £9m, and the registration last month of a new company, Spanlite, had added a fourth leg to the company's activities. Ward spends some £10m on glass each year and Abbseal had been bought with a view to further expansion.

Chamebel, the Belgian curtain wall company bought in December 1987, made a first time contribution of £500,000 at



the December 1988 year-end. The restructuring there was now complete and it was expected that its contribution to the year's results would more than double to over £1m.

Smallman, the fast track erector of eteel structures bought in February this year, had 14 active sites in London and Mr Forsyth said he was expecting turnover of about £10m by the year end. Smallman, however, would not make a contrihution this year because of a setback resulting from the recent seven-week construction workers' strike. It would be a useful contributor in 1990, he said.

A restructuring of the group was underway which would result in the majority of its subsidiaries being moved into one of two main divisions – buildings and components or facades and interiors. This change would assist growth, management development and external communication, said Mr Forsyth.

There were a few signs of weakening demand in the UK commmercial sector, he said, but Ward derives about 40 per cent of its turnover from its European activities, where a similar downturn was not envisaged. The group bas operations in five European countries and bopes to complete a small acquisition in Italy by the year-end.

At the balfway stage Ward had cash reserves of £1.5m and in spite of plans for considerable capital expenditure, the company expected that level to be at a break even point by the year-end.

After a tax charge of £2.15m (£1.1m) earnings per share more than doubled to 19.6p (9p). The interim dividend is raised to 2.4p (1.8p). Ward shares closed up 15p at 395p.

Hawtin sells £4.3m property to Epichold

By Andrew Bolger

HAWTIN, the diversified Welsh property developer, has sold for £4.3m a 270,000 sq ft industrial building and office block on its industrial park, some 12 miles north-east of Cardiff, to Epichold, a private property company.

The property, wbich is almost fully rented, is not part of the 80 acres of the park for which Hawtin has planning permission for a mixed development of industrial, non-food and DIY businesses and a motel.

Mr Philip Dovey, Hawtin's managing director, said the sale eliminated his company's borrowings and put it in a strong position to develop other greenfield opportunities, one of which was a waterfront office complex in the Cardiff Bay development.

Mr Dovey said the funds available would be used to develop Hawtin's other activities, which as well as property development include leisure and safety fabrics, and the distribntion of bricks, tiles and chemical sundries.

Norman Hay rises 21% but sees slowdown

NORMAN HAY, the metal and plastics processing group, yesterday reported a 21 per cent rise in interim pre-tax profits from £857,000 to £1.04m, but warned that this rate of growth would show a slowdown in the second half.

Mr Anthony Hay, the chairman, described the first half result as satisfactory. But he added that current trading was affected by prevailing economic conditions, and although the board remained positive as to long term prospects, it was anticipated that the rate of profit growth in the first half would not be maintained for the yaar as a whole.

Currently the group was engaged in the reorganisation of various activities, including the consolidation of its core coating business and tbe expansion of its higher margin processing through investment in new plant and equipment.

Turnover for the six months to June 30 rose 7.5 per cent to £8.4m (£7.81m). After tax of £364,000 (£317,000) earnings per 10p share were 4.5p (3.9p). The interim dividend is stepped up from 0.66p to 0.76p – last year's final was 1.5p.

An extraordinary profit this time of £80,000 was profit on the disposal of property.

Sheffield Insulations profits lifted 41%

For the half year ended June 30 1989, Sheffield Insulations Group increased its pre-tax profit by 41 per cent, from £1.6m to £2.26m. Its shares were placed last May.

The growth was generated from sales 5.5 per cent higher at £52.95m (£50.13m).

The principal business of specialist distribution of thermal insulation, fire protection and related products in the UK continued to strengthen. Profit rose more than 30 per cent mainly from sales growth and stringent cost control. The insulation contracting side also performed well.

Earnings worked through at 7.7p (6.2p) after corporation tax at some 40 per cent. That rate was expected to continue for the foreseeable future.

Doeflex warns on second six months

Doeflex, whicb makes plastic materials and semi-finished products for a wide range of markets, lifted midway profits by 11 per cent, but is cautious over the second half.

Mr Ricbard Bickerton, chairman, said order intake in the summer was abnormally low. Allied to high interest costs, from completion of the investment programme, that might put second half profits under some pressure. Bnt tbe cost base had been reduced significantly and the market position was strong.

Pre-tax profit in the opening six montbs to June 30 was £703,000 (£633,000) from turnover of £9.4m (£10.15m, including £1.33m discontinued activities). Earnings were 5.46p (4.92p) and the interim dividend is 1.32p (1.15p).

Sales in continuing activities were up 6 per cent and operating profit improved 15 per cent. The £1m investment in the PVC division was completed. Results in thermoplastic sbeet were affected by reorganisation of the manufacturing facilities.

MIL Research profits lower

MIL Research Gronp, the market research and consultancy company for which MAI has made a recommended £33.2m offer, announced lower pre-tax profits of £994,000 for the six months to July 31. The previous figure was £1.06m.

The directors said that indications for tbe second half gave them every confidence that a satisfactory full year result would be achieved.

Turnover advanced from £7.18m to £8.79m and earnings worked through at 5.8p (6.6p) after tax of £365,000 (£362,000). There is no interim dividend because of the offer.

Net asset increase at EFM Dragon

EFM Dragon Trust, which invests in the Far East for capital appreciation, lifted its net asset value from 6.51p to 11.78p over the twelve months to August 31 1989.

The revenue account for the year showed a loss of £2,000, although cut from the £7,000 of the first half; that compared with a £65,000 profit in 1987-88. There is no dividend this time, against 0.03p.

The directors said the events in China in June dented confidence in Hong Kong; but they had reduced tbe trust's exposure beforehand.

Unilever offshoot polymer purchase

Unilever's speciality chemicals offshoot, National Starcb and Chemical Corporation, has acquired Alco Chemical Corporation, a maker of speciality water-soluble polymers and microbiocides, from Alco Industries for an undisclosed sum.

Tennessee-based Alco Chemical bas worldwide sales in excess of $35m.

Scottish American £58m placing

The greater part of the £58m raised by Scottish American Investment Company following tbe placing on September 6 of a new equities index unsecured loan stock 2004 has been invested in UK equities and convertibles.

The balance, of £15m, is being held in cash.

Average yield on the investments is about 6 per cent and directors expect pay a third quarter dividend of 0.85p and a final of 0.9p, for a total of 3.3p.

Aluminium

The Financial Times proposes to publish this survey on:

25th October 1989

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes
on 021-454-0922

or write to him at:

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EUROPE'S BUSINESS NEWSPAPER

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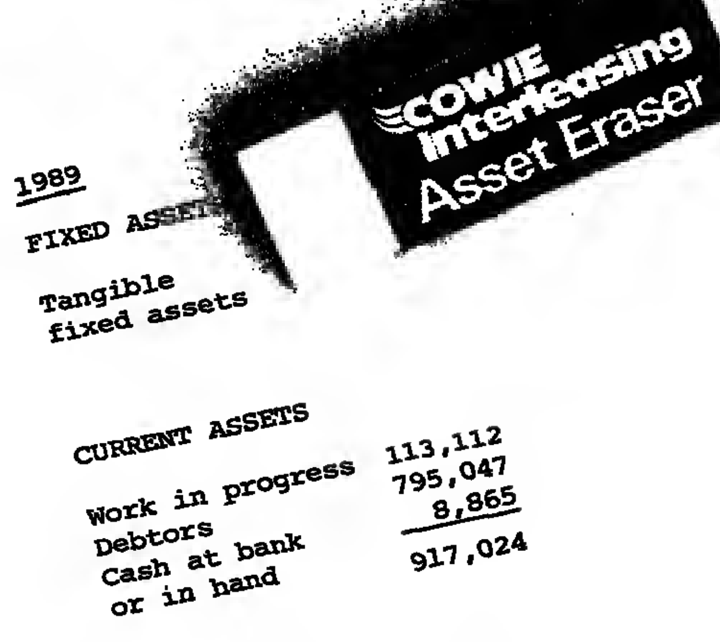

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4th October, 1989

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UK COMPANY NEWS

Organic growth behind Lowe Howard's 17% rise

By Alice Rawsthorn

LOWE HOWARD-Spink & Bell, the advertising agency which recently took full control of Lowe-Marschalk, its US associate, boosted pre-tax profits by 17 per cent to £7.8m in the first half of the year.

Earlier this summer Lowe acquired the remaining 70 per cent of Lowe-Marschalk from Interpublic, the US marketing group, which, in turn, increased its holding in Lowe from 25 to 36 per cent. This week Lowe added to its US interests by buying Homer & Durham, a small New York agency, which will be merged into the existing Lowe Tucker Metcalf agency.

Lowe also recently agreed to sell control of Lowe Bell Communications, its public relations subsidiary, to a management buy-out team led by Mr Tim Bell, the group's flamboyant former deputy chairman.

Group turnover rose to £225.75m (£193.32m) in the six months to June 30. Earnings per share increased to 18.52p (16.09p). The interim dividend is raised to 4.7p (4.0p).

Lowe's growth was almost all organic during the first half. Mr Frank Lowe, chairman, said it had won more than £100m of new business in the first seven months of the year, more than twice as much as in the whole of 1988. The UK advertising agency won new accounts for Tesco and National Power.

Frank Lowe: £100m of new business in seven months

Lowe is now concentrating on reviewing its US interests to see how the Lowe-Marschalk network should be structured in the future. The US agencies, which contributed nearly 30 per cent of group profits in the first half, currently have billings of $500m (£310m).

The group is considering the expansion of its advertising presence on the US west coast and into new European markets like Greece and Portugal as well as expanding its presence in France. It could also diversify into direct marketing, although the main emphasis will continue to be advertising, which provided 80 per cent of profits in the interim period.

Mr Lowe said the new business gains should ensure that the group's performance "will meet expectations" this year and "augur well for further success in 1990".

● COMMENT

Even in the heady days of the bull market when its competitors were dashing from deal to deal, Lowe pursued a prudent approach to expansion. So far prudence has paid off. The City's main misgivings about the group were its weakness in the US and the uncertainty over the future of its very public public relations arm. Lowe has acted on both fronts and has done so without drowning the market with shares or straining its balance sheet. Moreover the string of new business wins – which will filter through to profits next year – should be more than sufficient to shelter it from extra pressure on profits in the US and UK this year. The City expects a rise in profits to about £20m for the full year. On fundamentals the shares, up 7p to 429p yesterday, seem cheap on a prospective p/e of 9½. But unluckily for Lowe, the prospects for its share price are still clouded by the City's doubts about the rest of the marketing services sector.

SHARE STAKES

Aaronson Brothers: Scottish Amicable Investment Managers increased holding to 4.4m shares (11.96 per cent).

Bellwinch: GJ Webb, director, exercised 1.54m options on ordinary at 12.025p. Interested in 3.17m shares (9.63 per cent).

Bett Bros: IC Bett, chairman and substantial shareholder, acquired via a legacy 10,777 ordinary. Total interest, including family, 1.4m (9.32 per cent).

Campari International: Renard Holdings purchased on behalf of Nordin family trust 20,000 shares at 227p, 10,000 at 225p, and 20,000 at 226p.

Casket: Franco Tonlolo has disposed of 300,000 ordinary and now holds 2,184,033 shares (5.9 per cent).

Cityvision: Phillip Crane, a director has sold 300,000 ordinary at 125p per share, reducing his holding to 2,998,008.

Clydesdale Investment: Kuwait Investment Office sold entire holding of 2.09m ordinary (15.4 per cent). Securities Management Trust has purchased 850,000 ordinary resulting in a new holding of 1.05m shares (7.8 per cent).

Company of Designers: John Warren acquired 97,291 ordinary and holding now 1m (6.34 per cent).

Connell: Foreign and Colonial Investment lifted stake to 5.27 per cent.

Dean and Bowes: Stephen Dean sold 800,000 ordinary from beneficial holding and 100,000 from non-beneficial at 203p. Total beneficial interest 550,000 (4 per cent).

Domino Printing: AP Moller Tankers and Liners, one of the FMS Partners, increased holding by 500,000 shares to 3.77m. Holding of FMS now 3.8m (18.83 per cent).

English and Scottish Investment: Provincial Insurance acquired £31,500 pref stock and holds 15.5 per cent.

Edmond Holdings: Willesley Clay lifted beneficial holding to 6.12m shares (12.113 per cent).

Fisher (James): BG Robinson acquired 2,000 ordinary at 138p and holding 8.28m (34.727 per cent); RF Hart Jackson bought 75,000 at 140p and holding 8.35m (35.042 per cent); Mrs DS Meacock purchased 50,000 at 140p and holding 33.251 per cent.

Five Oaks Investments: London Securities purchased 445,000 shares and holds 2.95m (6.25 per cent).

Frogmore Estates: Markheath Securities acquired 60,000 ordinary bringing holding to 8m ordinary (20.07 per cent). Jomet Pty is acting in agreement with Markheath.

International Colour Management: CIN Industrial Investment reduced holding of ordinary to 600,000 (5.4 per cent).

Manders: British Steel pension fund interested in 7.69m shares (23 per cent).

Marley: John Govett, under discretionary investment management for 14 clients, now has an interest in 16.628m ordinary (6 per cent).

Metro Radio: Ferguson Industrial Holdings interested in 2.1m shares (22.1 per cent) and Co-operative Insurance in 487,000 (5.1 per cent).

Multitone Electronics: Directors stakes: On September 25 Ian Harman Karten acquired 100,000 ordinary shares at 42p (0.66 per cent) giving him a total holding of 7,482,664 (49.88 per cent); on the same date Alexander Poliakoff acquired 20,000 ordinary at 42p giving a total holding of 784,704 (5.23 per cent); and Ian Robert Burrage acquired 5,000 ordinary (0.03 per cent) at 42p, this being his total holding.

Newmarket Venture: Fleming Mercantile Investment Trust disposed of entire holding of 2.52m shares. Equitable Life Assurance Society recently purchased 1m ordinary and interested in 2.55m (7.15 per cent).

Personal Assets Trust: Mr I F Rushbrook has recently acquired 350,000 ordinary taking his beneficial holding to 2.45m (16.41 per cent).

PML Group: Joseph Lewis acquired 141,900 ordinary, bringing holding to 8.9m (20.26 per cent).

Ratners: Gerald Ratner, director, increased holding from 563,059 shares to 786,050, by exercising options over 393,001 and financing that by sale of 170,000. Masarrat Hussain, director, exercised options over 239,073 shares financed by sale of 100,000; current holding is 193,914. Victor Ratner exercised options over 109,170 shares and sold same; current holding 56,112. Terry Jordan sold 70,000 for personal reasons, leaving holding 1.34m.

Ritz Design: MJ Bancroft, director, bought 50,000 ordinary at 93p. Total holding 1.85m (20.5 per cent).

Scottish National Trust: Comin, a subsidiary of British & Commonwealth Holdings, cut interest to 12.23m capital shares (19.14 per cent).

Spear (JW): PN Harris and KBS Crowhurst (Spear family trust) hold 812,154 ordinary (16.68 per cent). Previous percentage holding was 20.

Spice: Auction Mart Scotland acquired further 410,000 ordinary and now interested in 2.32m (8.54 per cent).

Tace: Framlington Group disposed of 210,500 shares reducing holding to 1.34m (13.69 per cent).

Trust of Property: TB Property Investment Trust is now beneficial owner of 335,000 ordinary (5.917 per cent).

Unitech: 670,000 shares have been purchased for registration in the name of S B Operations bringing the total number of shares held by associates Dr T Tettamanti to 8.5m (12.7 per cent).

Usher Walker: Southern Newspapers has bought 50,000 ordinary and holds 400,000 (18.8 per cent).

Vivat Holdings: Compagnie de Navigation Mixte SA has acquired further of the company's ordinary shares and now holds 11.69m such shares (28.22 per cent).

Waterman Partnership: Following directors made disposals at 195p. AG Thomson 525,000 and holds 2.6m (13.59 per cent); F Clampitt 50,000 reducing total to 2.59m (13.56 per cent); RH Campbell, JM Mathys, and AC Burton each sold 330,000 and now hold 1.06m (5.55 per cent); JA Austin 20,000 and holds 408,560 (2.14 per cent).

West Industries: Firstmeasure disposed of 695,307 ordinary and reduced holding to 6.95m (18.32 per cent). Shares acquired by British Linen Bank group.

West Trust: Pattern Holdings, of Jersey, is beneficial owner of 2.05m shares (3.78 per cent). Pattern is beneficially owned by Mr DO Burne, who has a personal holding in West of 1.14 per cent.

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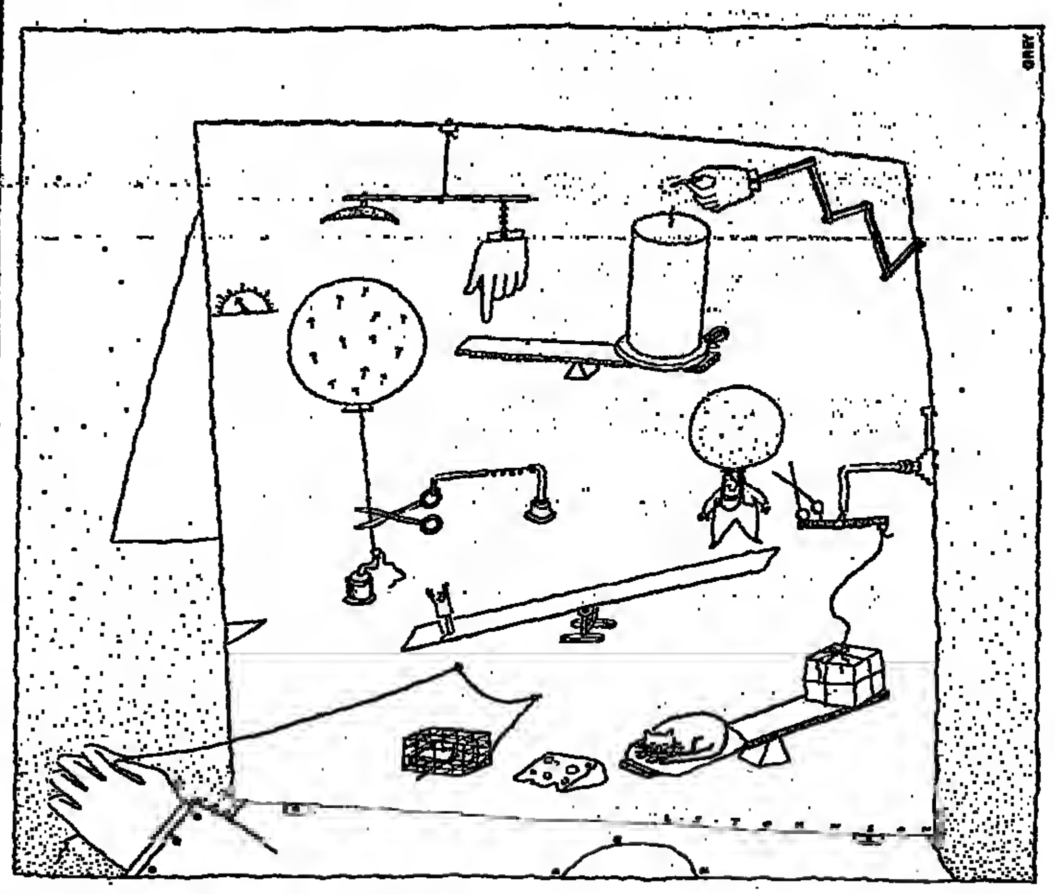

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JOBS

How cutting corners can lead to a dead end

By Michael Dixon

A MUCH respected, but alas long disappeared fellow-journalist called Laura Kauffman once had a good idea.

Habitually finding it hard to sleep and tending to talk about it, she found that a surprising number of other folk were insomniacs too. All agreed that one of the worst pains of their affliction was having no one to talk to in the desolate hours of the early morning.

The discovery inspired her to set up an Insomniacs Anonymous society, with the members taking turns to be available through a night to be telephoned for a chat by the others. Naturally, as the society's originator, Laura was the first on duty and intermittently half a dozen fellow-members called.

Which was a pity because, until they did so, she had been having the first good night's sleep she had enjoyed for months.

I tell the tale because it seems that several employers and recruitment consultants have lately had a good idea which may turn out to be of the same kind. The evidence lies in communications from four British readers and three on the Continent, reporting a like experience with six companies, four of them consultancies.

In every case it began with their applying for an advertised job, sending their curriculum vitae. Then came a reply that their record looked suitable but, since more information was needed, would they complete the enclosed questionnaire.

All did so even though it was lengthy, with up to 400 multiple-choice questions. The uniform upshot was a turn-down letter which, with one exception, added that the application was being held in case a fitting vacancy arose.

The readers' main anxiety is about having such detailed information on them lying in some outfit's files. (Their best course is to ask for the papers back, together with a statement that no copy has been kept.)

What troubles me is that, to judge by the questions three people quote, the forms were personality tests. So it looks as if, instead of wielding such variable yardsticks at the interview stage as is usual, the recruiters concerned are applying them earlier by mail.

If so, I assume they have calculated that it cuts not only corners but also costs to a degree. And in the case of the direct employers there may be some gain in loading their sleepless computers with the tests' findings on candidates they are merely saving against a rainy day.

Direct employers are likely to have fulfilled the two principal conditions that must be met if personality measures are to be helpful in choosing the right candidate for any job. First, the test must be sound; which many of those available are not. Second, the particular test must already have been applied to people doing the very same job in the same organisation, and have been found a reliable indicator of success.

But I doubt that the dodge the readers report could have any real value to anybody when used by a consultancy recruiting for a variety of direct employers.

Even if they all themselves use sound personality measures and have done the research needed to validate the results for the job that needs filling, it seems *unlikely that the whole lot of* them will use the same test as the one sent out by the consultant. If not, however, the testing by mail is just pseudo-scientific quackery.

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Manag'g directors	64,516	100.0	–	38.3	61.7	11.3	96.7	81.5	41.7	8.5	65.8	21.7
General managers	49,300	95.0	3.5	53.9	50.8	18.8	93.6	90.9	36.0	15.5	56.2	18.1
Coy secretaries	38,144	97.4	1.3	51.7	48.3	10.9	94.7	90.8	36.8	10.9	48.7	14.4
Finance heads	35,749	97.7	0.7	43.5	45.8	8.9	98.0	90.1	34.2	4.3	55.2	17.9
Production heads	36,235	96.8	–	47.8	51.6	10.7	97.6	94.6	28.3	2.5	49.6	15.3
Marketing heads	38,012	98.9	1.3	52.8	43.7	11.3	98.2	86.1	38.4	10.0	54.8	17.0
Personnel heads	33,886	90.8	1.7	54.0	41.4	11.4	95.3	85.0	32.5	6.8	53.8	14.7
Sales heads	33,651	99.3	0.4	34.1	56.7	5.9	87.1	90.3	25.3	2.6	60.6	18.3
Technical heads	32,800	95.7	1.0	44.8	40.1	6.6	95.0	88.3	31.0	5.6	51.3	15.7
PR executives	29,630	81.8	4.0	69.5	33.7	9.5	94.0	65.7	27.3	20.0	43.7	14.4
D-P heads	29,610	85.1	1.6	50.6	31.0	9.0	94.9	82.7	20.8	6.5	44.1	11.2
Distribution heads	27,096	80.9	2.3	51.5	41.5	4.6	99.2	80.9	20.6	5.4	50.4	12.9
Purchasing heads	25,898	78.3	1.2	51.7	25.4	8.2	94.3	73.4	18.4	6.7	40.8	15.1
All executives 89	30,355	78.6	3.0	48.4	37.4	8.9	93.2	75.5	23.7	9.7	44.1	15.9
All executives 79	11,909	89.0	7.3	74.4	–	6.5	92.8	50.6	10.5	9.0	43.9	12.5

* "Executive" share option schemes only; save-as-you-earn and profit-sharing types are excluded.

Perks

ABOVE appear the latest indicators of the prevelance of executive perks in Britain. The table is drawn as usual from the survey of British managers' rewards made annually by the P-E Inbucon consultancy.

The 1989 exercise covered *11,179 executives of all ranks* in 872 assorted companies. Anyone wanting the full report should contact Peter Robinson at Park House, Wick Rd, Egham, Surrey TW20 0HW; tel 0784 434411, fax 0784 437828.

The top lines show the average total money pay – bonuses besides salary – of managing directors and the heads of various functions, and the percentages of them enjoying each of various fringe benefits. "Technical heads" are those in charge not only of R and D but of *engineering and the like*.

The bottom two lines of figures do the same for all ranks of executives covered by the study both this year and in 1979.

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The successful candidate will receive an attractive remuneration package which will include bonus and a comprehensive range of benefits.

CONTACT:

Please write enclosing a detailed curriculum vitae to:
Sally Stewart, Manager Personnel,
County NatWest Investment Management Ltd.,
Fenchurch Exchange, 43/44 Crutched Friars,
London EC3N 2NX.

COUNTY NATWEST

The NatWest Investment Bank Group

LEASING – ASSET FINANCE
(Big Ticket)

We have some exceptional vacancies for graduate bankers, or experienced finance house executives, aged 28-38 years with significant experience of identifying pricing and structuring, high value (£10m+) complex big ticket leasing transactions, ideally covering UK tax based and international cross border financings. All vacancies require both marketing/technical skills.

Team Leader/Senior Manager	**neg. £60-£80,000 + benefits**
Manager UK Tax based	**neg. £40-£45,000 + benefits**
Manager Aircraft Leasing	**neg. £40-£50,000 + benefits**
Assistant Manager – UK Tax based	**neg. £30-£35,000 + benefits**
Marketing Executive	**neg. £30-£35,000 + benefits**
Evaluation/Documentation (Graduate)	**neg. £20-£22,000 + benefits**

PROPERTY FINANCE
neg. £60-£80,000 + benefits

A major international bank seek to enter the UK commercial/industrial property sector. We seek therefore applicants aged 35-40 years who posesses very significant financing experience gained within a major player. This will include sourcing, packaging and syndicating large complex property deals in the £10m+range. Additionally, they must have high level contacts within property developers, property and construction companies and other banks regarding syndications.

VICE PRESIDENT – MARKETING
neg. £50-£65,000 + benefits

A major US bank seek a high calibre graduate, ACA, MBA at Senior Manager/VP or possibly AVP level who can clearly demonstrate considerable success to date in the provision of both commercial and investment banking services, to major UK corporates. Essential is contacts/strong major account relationships. Age range 30-38 years.

Please send detailed CV to the address below or call **Brian Gooch** on 01-588 3991 or 0255 673797 (after 8 pm) – all calls treated in strictest confidence.

OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
65 London Wall, London EC2M 5TU.
Tel: 01-588 3991. Fax: 01-588 9012

CRESVALE
— FAR EAST LTD —

RESEARCH ANALYST

The Cresvale Group of Companies is a leading specialist in the international equity-linked securities markets, with offices in London, New York, Tokyo, Hong Kong and Zurich.

Cresvale Far East Ltd, the Group's Hong Kong subsidiary, is seeking a self-motivated individual to expand its research team.

Applicants should have at least two years experience of fundmental analysis, knowledge of South East Asian equity markets and a very high standard of spoken and written English. The ideal candidate would be a university graduate with an accounting/finance background; familiarity with computer analysis and programming would also be an advantage.

Please send your resume/CV, together with a covering letter, to:-

The Research Manager,
Cresvale Far East Ltd, 3/F Landmark East,
12 Ice House Street, Central, Hong Kong.

The Law Debenture Corporation p.l.c.

Law Debenture, the leading independent Corporate Trustee, seeks an executive (probably aged between 25 and 30) to join its expanding new business team.

The successful candidate must be able to analyse and understand complex international financial transactions; excellent communication skills and the ability to work effectively in a small team are essential. A legal or banking background with experience of international finance, corporate finance or trust work would be an advantage, although those with other relevant experience will also be considered.

Remuneration including mortgage subsidy, profit sharing and car will reflect the seniority of the position.

Applications setting out qualifications, experience and current salary should be sent in confidence to:

Christopher Duffett, Managing Director,
The Law Debenture Corporation p.l.c.,
Princes House, 95 Gresham Street, London EC2V 7LY

AGENCY ARRANGEMENT

Senior International Broker, 16 years experience in investment, credit and marketing in the Middle East. Speaks English, French, German and Arabic. Looks for Agency Arrangements with financial institutions to market their investment/banking products in the M.E. for a combination of fixed and variable remuneration.

Write Box A1353, Financial Times, One Southwark Bridge, London SE1 9HL

Investment Management/ Banking

IT consultant, 15 years experience, seeks contract assignments in private client, investment management, banking or related financial service areas. Feasibility *studies, requirements* definition, software evaluation, project management and implementation experience.

Write Box A1337, Financial Times, One Southwark Bridge, London SE1 9HL

Jonathan Wren

CITY SALARY SURVEY

"£45,000...£50,000...£55,000?"

The wrong answer to questions like this can mean the difference between losing, keeping or attracting the banking and financial professionals you need for success this year and into the 1990s.

Jonathan Wren's 1989 Salary and Fringe Benefits Guides are based on over 14,000 applicants, vacancies and placements seen annually by this consultancy, from school-leavers at £7,000 to senior executives at £150,000. The salary surveys cover over 140 positions in international banking, broking and investment, and include job descriptions, as well as applicant, vacancy and placement salaries. For the fringe benefits guide we survey in detail the schemes of over 40 City instutions.

The latest Salary Survey and Fringe Benefits Guide are now available by subscription. Please contact Richard Meredith on 01-623 1266.

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Nicholas Baker ext 3351

Elizabeth Arthur ext 3694

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

CITY

£30,000-£40,000 + bonus + car

BANK FINANCING

Vice President

DREXEL BURNHAM LAMBERT, the leading US investment bank, seeks an experienced bank lending/marketing officer to manage and develop its European financing with existing institutions and new prospects.

You will be aged 28-35, a graduate or professionally qualified, and be effective in a highly demanding and results orientated environment; also you will need to have a good understanding of bank products, short and long term financing and the credit approval process of international banks and financial institutions. Experience in negotiation of bank documentation is also required.

Reporting to the European Treasurer, you will be responsible for formulating a programme of relationship development with European banks and financial institutions. Regular travel to European financial centres should be expected.

In terms of career development, we believe that we offer an outstanding opportunity to join a developing team with winning products; financially we offer a base salary negotiable in the range of £30,000 to £40,000, performance-related bonus, car and other generous benefits.

Please contact, in the first instance, Keith Wood, Human Resources, either by telephone or in writing, at Drexel Burnham House, 1 Alie Street, London E1 8DB. Telephone No: 01-325 9064.

Strictest confidentiality will be observed for all applicants.

Drexel Burnham Lambert

A Recent Graduate To Move Into Cash Management

Intel Corporation, the world leader in microprocessor technology is headquartered in Swindon.

We now have a superb career opportunity for a recent graduate in business studies or accountancy, to be accountable to the UK Credit and Treasury Manager for:–

- Forecasting the company's cash needs, managing short term borrowings/investments and the administration of bank accounts.
- Collecting and controlling receivables, performing credit analyses and monitoring credit exposure.

The extra dimension of this role will include the production of management reports and developing systems applications for the Treasury group.

Send your CV, quoting current and anticipated salary, to Wayne Edwards, Human Resources Department, Intel Corporation (UK) Limited, Pipers Way, Swindon, Wilts SN3 1RJ. Alternatively call him on 0793 696000.

intel®

Leading American Bank

Senior Economist

Our client is a leading American financial institution with a substantial and growing commitment to commercial and merchant banking in Europe. It wishes to add a senior economist to its European macroeconomic forecasting/industry analysis team. The economist will provide forecasts and analyses to line management as the bank supports the economic integration of the European Economic Community.

The successful candidate will be a Ph.D economist (or equivalent) and have at least five years experience in European economic forecasting and analyses in either industry or consulting. He/She will be fluent in French and English plus one other European language and be experienced with computer modelling techniques.

While the position will involve extended visits to Europe and the U.K., the successful candidate should be prepared to relocate to the United States.

Interested candidates should forward their Curriculum Vitae to Kevin Byrne who will forward it directly to the client. Candidates should list on the envelope, any institution to whom they do not wish their details to be forwarded.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

INTERNATIONAL MERCHANT BANK

ASSET MANAGEMENT GROUP

PRODUCT DEVELOPMENT

Paris based **Salary to FF400,000**

Our client is a major international bank with its head office in Paris. Its operations are global both in scope and *representation and it enjoys a reputation for being an aggressive and innovative market leader.*

Our present assignment is to strengthen the Asset Management Group: the post offers a rare opportunity to combine technical ability with marketing responsibility. Although your principal area will be creation of asset management products, you will increasingly be consulted as an in-house advisor on asset management products worldwide from both a marketing and technical viewpoint. As well as a comprehensive knowledge of these products, an understanding of how client demand affects product presentation will also be required. The position involves some travel and also, unusually, the opportunity to develop direct client relationships.

You are likely to be working in a similar capacity with an international investment house and your qualifications may well include a business degree or, ideally, an MBA. Fluency in French is essential. Direct experience of packaging new *investment products would be advantageous, though not mandatory.*

If you are attracted by this opportunity, please telephone or send your curriculum vitae in complete confidence to:
Luci de Nordwall.

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

7 Birchin Lane
London EC3V 9BY

Tel: 01 [illegible]
Fax: 01 626 2092

Devonshire Executive Ltd

A member of The Devonshire Group Plc

Investment Analysts

UK Merchant Bank — to £25,000 + Benefits

A leading Merchant Banking Group, with a rapidly developing Private Client Banking and Stockbroking business, is expanding its central research unit. In line with this expansion they intend to appoint additional Research Analysts to provide support to their Private Client stockbrokers.

Analysts will be responsible for coverage of a number of UK and international industrial sectors, reviewing externally sourced material, co-ordinating specialists within the group and making recommendations within the sectors covered.

Candidates will be:–

- educated to degree level
- aged between 25-30

and will have:–

- a minimum of two years' research or portfolio management experience
- a high degree of numeracy
- strong analytical skills
- the ability to communicate credible investment ideas to fund managers.

If you are interested in joining a dynamic and successful team offering excellent career opportunities, please write to **Charles Ritchie at Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Retail Managing Director

£125,000
plus excellent benefits

Our client, a £1.5 billion international retailing company is a leading specialist retailer of the world's finest names. It is a private company with a record of outstanding success.

They have achieved their market dominance through a total commitment to strategic positioning, excellence and innovations. This is a key position of leadership in a decentralized company.

The successful applicant will be responsible for one of their international locations, managing all facets of the business from long term planning, through business and product development to generating sales and profits.

We seek an energetic seasoned executive with proven leadership and senior management abilities. The remuneration and benefits package will mirror our intention to recruit a top executive.

Please apply in writing with full CV to Christopher Bainton, quoting reference E/0003FT. All applications will be forwarded to our client. You should list in a covering letter all companies to whom your application should not be sent.

Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London
SE1 9QL

Price Waterhouse

Assistant Manager

Sales - Commercial Mortgages

As one of the ten largest banks in North America and a major player in international finance, C.I.B.C. has invested considerable resources in developing new markets, especially in the U.K. We have already had considerable success in Asset Based Lending, particularly in the targetting of commercial mortgages to the Health Care and Leisure sectors. Due to the expanding scale of our Commercial Finance Operation, we are now looking for two capable, sales orientated individuals with several years experience of the commercial finance market.

Reporting directly to the Head of Commercial Finance, and operating within a highly integrated team environment, your role will be a combination of sales and marketing. You will be helping us to meet pre-agreed business sales objectives by expanding our client base and will also be heavily involved with the front-end assessment of risk, as well as maintaining on-going account management relationships. Preferably A.C.I.B. qualified, you must be able to establish yourself in the market quickly and have the necessary energy and enthusiasm to take advantage of the opportunities our planned expansion can provide. In return, we are offering an excellent remuneration package, which includes a significant bonus element, a car, plus the usual banking benefits.

Please write to Susan Humphreys at Canadian Imperial Bank of Commerce, Cottons Centre, Cottons Lane, London SE1 2QL. Tel: 01-234 6415.

CIBC

Canadian Imperial Bank of Commerce

[illegible]

IF YOU ARE IN THE LEASING BUSINESS...

.................and know why your present company could do better............have the right intellectual and personal skills to handle medium and big ticket deals............and would respond to the challenge of building up a new operation............then you should be getting in touch with us now!

We have been called in to assist our client in setting up a new UK leasing operation backed by a well established and broadly based financial institution. Although the emphasis will be on developing business in the UK, there may be opportunities for participating in business throughout Europe.

In particular, we are currently seeking suitable candidates for the following positions:-

Sales/Marketing Officers

You will be involved in developing, with the General Manager, a demanding but achievable business plan that exploits both your view of future market trends and your contacts in the market. In addition to a basic salary which sets a premium on the qualities needed in a start-up situation, a genuine individual, performance related bonus will be developed to reward your achievements. Good credit skills and the ability to evaluate complex financial structures are essential.

Operations Manager

Your experience should have given you the confidence to over-see the entire administrative support functions of a leasing company, covering such things as documentation, funding, underwriting, and the transfer of funds. Whether or not you have a formal qualification in accounting, you should be aware of the standard accounting practices used in the industry and be able to contribute to the selection of an appropriate computer system and the provision of relevant management information.

In the first instance please contact Pamela McAlister on 01-638 1295 or 01-638 4064, or alternatively apply in writing enclosing a full curriculum vitae.

Lombard Recruitment Services Ltd. 2 London Wall Buildings, London EC2M 5PP Tel: 01-638 1295 or 01-638 4064

LOMBARD

CJA RECRUITMENT CONSULTANTS GROUP

3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Opportunity to establish a new claims operation, with scope for further career development

CJA AVIATION RISK & CLAIMS MANAGER – COMMERCIAL AIRCRAFT

HOME COUNTIES — **CIRCA £30,000 + CAR**

MAJOR MANUFACTURER OPERATING WORLD-WIDE

Our client is bringing the control of all commercial aircraft product/contingent liability claims into the subsidiary H.Q. The successful applicant for this new position, which will report to the Risk & Insurance Manager, will establish this function. We invite applications from candidates with either a minimum of 5 years' experience of aviation/product claims within a law firm or 10 years' practical experience of the management of aviation insurance and legal claims within the insurance industry or a major airline. Responsibilities cover the control and negotiation of all claims world-wide with an emphasis on product liability. The candidate will use his/her skills in the important area of product integrity and the risk and insurance aspects of aviation contracts. Initial remuneration is negotiable circa £30,000 + car and the usual benefits of a large organisation. Assistance with removal expenses is available where appropriate. Applications in strict confidence under reference RCMCA4682/FT to the Managing Director:

Opportunity to gain international banking and trade related lending experience, with prospects of advancement.

CJRA CREDIT OFFICER

CITY — **£18,000-£20,000**

LONDON BRANCH OF INTERNATIONAL BANK

This is a key position in a small Credit Department which handles all aspects of lending, including trade finance, sovereign risk and syndicated loans exposure. We invite applications from candidates aged 23-29, with 2-3 years' experience as a Credit Analyst within a bank and a knowledge of loans administration and trade finance. PC experience is desirable but training will be provided. The branch is expanding and new areas of business are being developed. Candidates must have the ability to work in an international environment and be willing to take on increasing responsibilities. Initial remuneration is negotiable £18,000-£20,000 + bank benefits, which [illegible] membership. Applications in strict confidence under reference CO2271/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of The Security Manager: CJRA

CAMPBELL-JOHNSTON ASSOCIATES (MANAGEMENT RECRUITMENT CONSULTANTS) LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.
TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE 01-628 7439

CREDIT ANALYST

PROSPECTS FOR PROGRESSION TO A LENDING ROLE

City — **Excellent remuneration package**

Henry Ansbacher is a well-established City Merchant Bank and is a member of the Pargesa/GBL Group, a major force in European financial services. *Due to the continuing expansion of our corporate banking activities, we now need to strengthen further our credit analysis team.*

Working as part of this small, professional team, you will play a key role in providing wide-ranging credit analysis support as follows:

- Initially on Treasury facilities.
- Subsequently for the Banking Department with an emphasis on working capital, project finance and acquisition finance facilities.
- Also country report preparation and PC financial modelling.

Ideally you will be aged in your mid 20s, have 12-18 months credit experience, be ACIB or nearly qualified and possess good communication skills. Other useful qualifications will be direct experience of general banking practice, including loan documentation, and foreign language skills.

Career progression should lead to a position in a lending team in the medium term.

In addition to an attractive salary, there is an excellent banking benefits package.

Applications in confidence, including a full CV, should be sent to: **Marc Hoodless, Personnel Manager, One Mitre Square, London EC3A 5AN.**

Henry Ansbacher & Co. Limited

A Member of the Pargesa/GBL Group

SENIOR UK EQUITY ANALYST

CONGLOMERATES AND CONSTRUCTION

An Excellent Opportunity to Apply your Specialist Skills within a Top International Investment Bank

Our client has an opening for a Senior Analyst, who has at least three years experience with a major institution or broker, to conduct research in either UK conglomerates or construction. You will have the opportunity to develop continental European research. The role will offer freedom to develop original research ideas as well as to become involved in corporate finance activity.

Our client's global investor base is expanding rapidly, providing additional scope for participation in formulating equity strategy. You will also train and guide a small team of junior Analysts. Aged between late twenties and early thirties you should possess strong written and oral communication skills with the ability to motivate and to stimulate ideas. (Fluency in a European language would be an additional advantage).

The position offers a highly competitive compensation package, designed to attract one of the best emerging specialists in this field. If you would like to be considered for this appointment, please telephone **Louise Gore** on **01-222 7733** for a preliminary discussion, or write to her at **John Sears and Associates, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates

A MEMBER OF THE SMCL GROUP

Entrepreneurial Merchant Bank

Corporate Finance

c.£50,000 — City

Equity opportunity. Varied innovative transactions for a corporate finance professional seeking an environment where ability is quickly rewarded.

THE COMPANY

◇ Well established City based merchant bank rapidly growing in the UK and Europe.

◇ Diversified institution with investment banking, broking and asset management divisions.

◇ Independent company substantially owned by its directors and staff.

THE POSITION

◇ Assistant Director/Manager. Substantial independence within a 15-20 man team. Potential for fast promotion to Director.

◇ Strong emphasis on M&A, flotation and MBO transactions.

◇ Wide variety of client and types of transaction.

QUALIFICATIONS

◇ Excellent technical corporate finance skills gained in a blue chip City institution.

◇ Good first degree. Ideally a legal, accountancy, or MBA qualification. Aged late 20s to early 30s.

◇ Drive and ambition to move from a traditional merchant bank and succeed in a highly rewarding innovative environment.

THE REWARDS

◇ Excellent base salary with substantial bonus and capital opportunities.

◇ Equity participation within the company and successful originated transactions.

Please reply in writing, enclosing full cv,
Reference H3928
54 Jermyn Street, London SW1Y 6LX.

N-B SELECTION LTD

LONDON · 01-493 3383
BIRMINGHAM · 021-233 4656 · GLASGOW · 041-204 4334
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PRUDENTIAL
Prudential Portfolio Managers

Director of Information Systems & Technology

Board Appointment
London
Negotiable Salary + Financial Services Benefits

Prudential Portfolio Managers, *the largest single investor in the* securities market in the UK, is seeking to appoint an Executive Director to head its Information Systems and Technology Function *in London.*

With responsibility for funds in excess *of* £36 billion, the business demands high quality computing facilities to support this level of investment activity.

The IS&T Director will control the *implementation of an information* systems strategy which is aimed at decentralising computing services into devolved businesses.

Reporting to the Chief Executive and working with a young but highly qualified professional group, you will *have the commercial acumen to* understand and prioritise end user requirements as well as the technical *ability to direct* systems development.

The required blend of experience will probably mean that your career has been in the financial investment sector with experience which centres around systems development. A working knowledge of settlement systems, digital feed facilities such as Reuters and Topic is essential. *Familiarity with 4GLs, case tools and* structured methodologies would be an asset.

It is likely that you will already have achieved Director status and will be able to demonstrate an impressive track record. It is unlikely that *candidates earning less* than £60,000 p.a. will have the experience and executive talents required for this position.

We will fully respect the confidentiality of any initial approach from those interested in discussing this appointment further. Telephone Barrie Whitaker on 01-334 5192 or write to him enclosing a full CV detailing your current salary and quoting reference B/0001FT at
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London
SE1 9QL

Price Waterhouse

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investment marketing executive

DEVELOP INVESTMENT MARKETING TECHNIQUES

When you join Standard Life, you'll be joining the European Community's largest mutual life assurance company, managing assets of over £18 billion.

Our Investment Department is an expanding area which invests in all major world stock markets.

Working as part of the Investment Marketing team, you will liaise with investment clients, in particular reporting to Pension Fund Trustees and discussing the company's investment approach with IFAs. You will also carry out presentations and assist in the development of marketing and presentation material.

This is a challenging role which will appeal to a self-starter who can demonstrate initiative and drive. You should have a strong background in investment or marketing which has encompassed the development of marketing material as well as planning and making presentations. Effective communication skills together with the ability to get on well with people are essential qualities.

In return, we offer an excellent benefits package which includes competitive salary, house purchase loan scheme, non-contributory pension and free BUPA medical cover.

Please write with full cv, quoting ref: 43/FT, to

John Renz,
Recruitment Manager,
Standard Life Assurance Company,
3 George Street, Edinburgh EH2 2XZ.

Standard Life

We don't follow standards. We set them.

CREDIT ANALYST

City **c £20,000**

Our client, one of the world's foremost American banks, is seeking to recruit a Credit Analyst to join their Risk Asset Management Group.

The successful candidate will join a small team of specialists undertaking credit reviews and analysis to support the bank's Client Executives and Product Specialists and actively participate in the credit decisions taken by the bank. This key role offers the opportunity to work on a wide variety of credit and business issues relating to a diverse client base.

This role could offer an exciting next step for a UK focused banker looking to utilize their Lending and Credit skills in an international arena. Applicants, in their mid 20's, should offer a sound academic background and the ability to achieve in a dynamic and demanding environment.

For further information please contact Judy Elmes at:

WELL COURT ASSOCIATES
11 Well Court, London EC4M 9DN
Tel - 01 236 0723 Fax - 01 489 8305

AIRLINE BUSINESS

US CORRESPONDENT

Airline Business, the authoritative international business journal for the World's airline industry, is seeking a Washington DC based Correspondent.

Initially, you will be based in the UK for approximately six months, during which time you will be given the opportunity to research and write news and features stories on all sectors of the industry.

You will ideally have at least three years business writing experience, strong communications skills, and the commitment and dedication to make a success of this key position.

For further information, please telephone Richard Whitaker, Managing Editor — Airline Business on 01-661 3758.

Applications should be sent to:
Marian Rutley
Personnel Manager
Reed Transport Magazines
Quadrant House
The Quadrant
Surrey SM2 5AS.

REED BUSINESS PUBLISHING GROUP

S.G.WARBURG GROUP plc

SENIOR SALESPERSON — FRENCH EQUITIES

Bacot-Allain-Farra S.A., the French stockbroking subsidiary of S.G. Warburg Group, is seeking a senior salesperson to join their existing Paris-based sales team.

The successful candidate, who will be fluent in French and English, will be responsible for servicing both U.K. and European institutions. He/she should be a graduate with at least 5 years' experience of financial markets.

The attractive remuneration package will be competitive and is unlikely to be an obstacle in the appointment of the successful candidate.

Applications enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:

Mrs. A.J. Sprules, Director, S.G. Warburg Group Management Ltd., 2 Finsbury Avenue, London EC2M 2PA

or

J. R. Hall, Director, Bacot-Allain-Farra S.A., 65 rue de Courcelles, 75008 Paris

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Financial Engineering in Trade Finance

Excellent Salary — High Bonus Potential

Our client is a major UK Bank with an entrepreneurial reputation in a wide variety of Banking Markets. Its Trade Finance Department deals with a broad range of exporters and is building a reputation for arranging innovative deals in different markets. This has been achieved through close co-operation with other Capital Markets units within the Bank to create highly structured "hybridised" deals.

Highly innovative bankers are now required to enhance the team at senior level, with a proven ability and appetite in the design and structuring of such hybrid transactions. Typical deals may, for example, incorporate elements of private market insurance, countertrade and official aid packages and will therefore demand the co-ordination of a diverse range of banking tools outside traditional export finance.

Candidates are likely to have a good grounding in traditional Trade Finance techniques, and be able to demonstrate the ability to design and construct transactions in a highly creative manner. Strong credit skills are also essential.

Among the advantages offered by the Bank are a progressive and flexible salary and bonus structure; short communication lines to senior management; an unbureaucratic and friendly environment; and an excellent existing reputation in the field of Trade Finance.

Interested candidates should contact Kevin Byrne on 01-248 3653 (or 076 382728 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

European Equity Fund Manager

IBJ International, the investment banking subsidiary in London of The Industrial Bank of Japan, is a leading institution in the international securities markets.

As part of the expansion of our Investment Management activity we wish to recruit e European Equity Fund Manager with at least 5 years experience of analysis and fund management in e number of major continental equity markets. You will be responsible for detailed coverage of a select group of european equity markets and in active share trading for clients' portfolios, in addition to contributing to the formulation of a europe-wide investment policy.

Reporting to the Head of Equity Fund Management you will join a team of specialist fund managers covering individual country economies in both equity and fixed interest markets.

We are eble to offer an attractive salary and banking fringe benefits package.

To take your interest further please forward your career details to Ian Matheson or telephone him on 01-236 1090.

IBJ International Limited Bucklersbury House, 3 Queen Victoria Street, London EC4N 8HR.

Hillier Parker
Financial Services

Corporate Finance — Property

A RARE OPPORTUNITY FOR AN AMBITIOUS BANKER WITHIN A MAJOR FIRM OF INTERNATIONAL PROPERTY CONSULTANTS

Our client is one of the most successful and prestigious international firms of Chartered Surveyors. It acts as property advisor and fund manager to many of the leading investment institutions in the UK, and is the market leader in major urban property development.

The firm's position at the heart of the property market has enabled it to build up a unique corporate finance business. As a Senior Executive in this team, you will have the opportunity to structure deals across a wide range of banking areas — from structured debt and financial engineering schemes to acquisition finance and M & A transactions. As well as enjoying a track record in all these areas the group is renowned for breaking new ground within the property market.

You are likely to be in a merchant bank at present and be aged between 25-35: ideally you will have some skills in the products mentioned above. If you are a young corporate financier with a keen interest in the property sector, or an entrepreneurial property banker this position offers an unusual opportunity, free from many of the restraints of the banking sector. Above all however, an inventive flair is needed in pulling together the various strands of the firm's activities into solutions for clients.

Salary, benefits and bonus payments will be highly competitive in line with those offered within the banking sector.

Interested candidates should contact Kevin Byrne on 01-248 3653 (evenings/weekend: 076 382728) or write, sending a detailed CV to the address below or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ — BBM ASSOCIATES — Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

Exciting career opportunity for

MATURE ACTUARIAL STUDENT

Senior Position in USA Life Marketing from London base

Victory Reinsurance, part of the Legal & General Group, seeks an ambitious and mature actuarial student, aged between 25 and 39, who has passed at least 5 examinations. 100% commitment, the ability to communicate effectively and an open mind in developing new concepts are equally as important as academic qualifications. However, every assistance in completing the UK actuarial examinations is offered, together with full training in North American techniques.

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You will co-operate with other regulators, including the DTI, SFO, SROs, RPBs and the Bank of England and will be involved in the development of policy for enforcement after 1992.

Candidates should be graduates, preferably with an accountancy qualification, with the ability to work under pressure. The work is often of a highly confidential nature and applicants should display maturity, tact and political sense.

Experience of investigative work, especially in insolvency, would be an advantage, together with a general knowledge of the City and related issues.

The position offers an attractive salary and package, including a car. Interested candidates should contact Karin Clarke on 01-831 2000 or write to her at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

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Copper and lead come clean

Imagine that your long-established factory is using a proven technological process, dependable and effective. But it is becoming steadily less competitive and less acceptable environmentally.

Someone comes along and offers a new alternative: simpler, cheaper to build, more economical to run, easier to operate and maintain, more versatile, more productive – and cleaner.

This may seem unlikely, but it is happening with non-ferrous smelting. Australia's MIM mining company and CSIRO, the Government-funded national research agency, are leading the way.

The new technology, called Isasmelt, has been 15 years in gestation and has cost MIM and CSIRO more than A$40m in research and development, the bulk of it spent by MIM.

The first commercial application of the new technology was announced in May, when MIM began a A$65m (£31m) project to build a 60,000 tonnes-per-year lead smelter at Mount Isa in central Queensland. The smelter will handle concentrate output from the Mount Isa mine and from the nearby Hilton mine now being brought into larger scale production.

Applicable to both lead and copper, the technique will probably replace conventional blast and reverberatory furnaces, and overtake newer smelting methods.

For hundreds of years the predominant lead smelting method has involved a blast furnace. Typically, ore from which sulphur has been burnt out is dropped in from the top along with coke, while air is blown in through tuyeres at the bottom. Metallic lead is then tapped from the base.

Over recent years, new processes have been developed to cope with tighter government regulations against smelter emissions and to reduce production costs. They include the Kivcet method developed in the Soviet Union, the top blown rotary converter from Sweden and the QSL furnace conceived by Lurgi of West Germany, which is being tried on a commercial scale by Cominco in Canada.

Isasmelt is different again. Its central feature is a simple stainless steel or metal pipe, called a lance, which is lowered into the molten material to be smelted. The lance carries air or oxygen at a high velocity, along with some fuel. This burns beneath the surface and the chemical reaction proceeds speedily to completion.

With lead, two separate stages are involved. In the oxidising stage, air is blown along with a minimum amount of fuel (oil or coal) to convert lead sulphide to lead oxide and drive off sulphur as sulphur dioxide. This replaces the traditional sinter plant.

In the reducing stage, the lead oxide reacts with coke or coal to produce metallic lead and carbon dioxide.

Normally a steel pipe would melt in a such a high-temperature bath. But the air cools the lance causing a protective coating of slag to form on the outside.

The heart of the process, however, lies in they way the lance is used. Considerable skill is involved not only in producing the coating and lowering the lance into the liquid without damage, but in mastering the fluid conditions of the bath to ensure an ideal flow of air and fuel, full combustion and a complete reaction with contained turbulence.

The attractions of the technology are self-evident. Because the lance allows air and fuel to be injected at precisely controlled rates, it is possible to monitor the reactions closely. Because the vessel is simple, it is low in cost and easy to operate. And because the reaction is conducted in an enclosed chamber, the fumes can easily be removed and treated.

In its application to copper smelting, the technique is similar. The typical copper sulphide and iron sulphide ore, known as chalcopyrite, is concentrated, then placed in the smelting vessel along with coal and fluxes.

Oxygen-enriched air is injected through the lance, which is submerged in the bath. The resulting high-grade copper matte is then turned into blister copper through conventional converters.

MIM is operating a demonstration plant to prove the viability of the process. The output is fed into the existing reverberatory furnace to be processed. When fully developed, the vessel will be able to replace the roasting process and the reverberatory or blast furnaces used in traditional methods of extracting copper.

It could also replace the more modern "flash smelting" process. But it will have to compete head-on with another new technique called the Noranda process, in which copper concentrate is also smelted to matte in one step. This process is being incorporated by MIM's Australian competitor, CRA, in a redevelopment of its smelter south of Sydney.

Isasmelt has come a long way since 1973, when CSIRO researcher John Floyd invented the lance to extract trapped metal from slags. His colleague, Bill Denholm, saw the possibility of going further to achieve direct smelting.

Their ideas led to years of experimental work at different mining company smelters to prove the feasibility of treating copper. In the 1980s attention turned to lead, chiefly because MIM reached full capacity on its existing smelter, and the combination of research and operational needs has culminated in the planned 60,000 tonne-per-year plant.

In September, two months after MIM and CSIRO agreed to market the technology worldwide, MIM announced the first lead smelter to incorporate the technology abroad. It will be built in Britain, at MIM's existing refinery in Kent, as part of a strategy to expand into battery lead recycling.

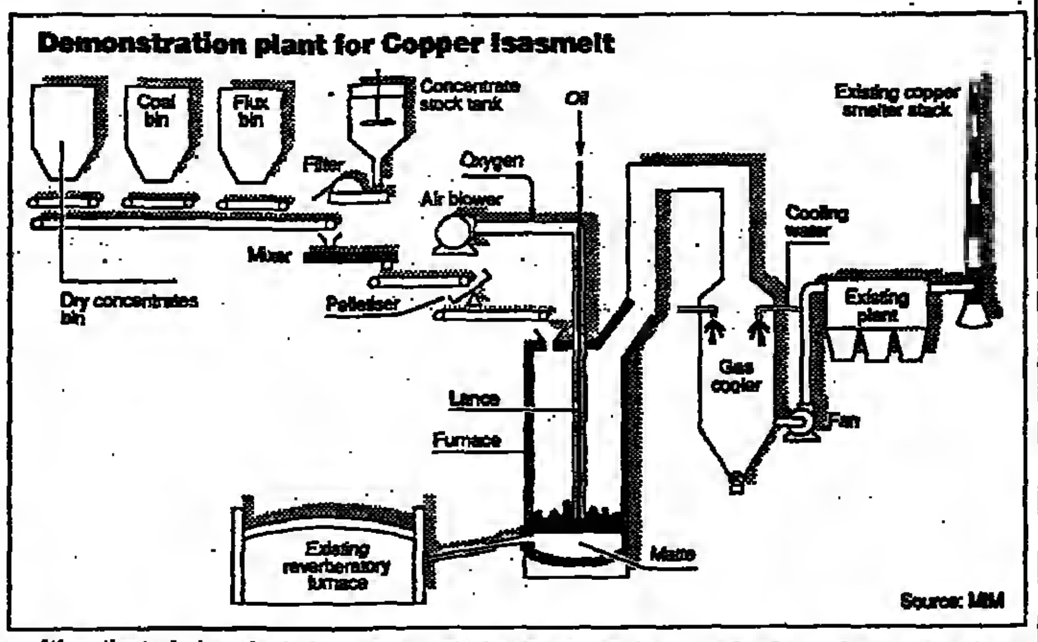
Experience gained on the way also prompted a re-examination of the copper process, and it seems only a matter of time before MIM moves from its demonstration plant to a commercial-scale venture for copper as well.

A legal tidying-up has meanwhile occurred regarding names, patents and licensing. The original concept was known as Sirosmelt: for lead smelting that has evolved into Isasmelt as MIM has sought a marketing payback for its substantial investment.

Applied to copper, MIM calls it Copper Isasmelt and pays CSIRO a royalty.

Floyd has gone his own way and runs his own business called Ausmelt. He also markets and licenses the Sirosmelt technology, but for everything except lead.

Demonstration plant for Copper Isasmelt



Source: MIM

Close encounters of the 3-D kind

Andrew Wiseman sees the stars on high-resolution graphics

The brief encounter between the Voyager 2 spacecraft and Neptune has enriched our knowledge of the planet currently furthest in the solar system and provided scientists with data that could take decades to unravel and interpret.

All that intelligence was collected and transmitted by the spacecraft's television cameras and scientific instruments, which sent signals back to earth at the speed of light. It was a captivating, but very complicated and expensive, enterprise.

At the University of Tubingen in West Germany, Professor Hans Ruder and his colleagues have shown that in many instances there is no need for probes to be sent into onter space: supercompnters can do the job just as well (if not better) and provide the answers to snch intriguing questions as the shapes of distant stars and the physical processes occuring within their systems.

Ruder's team at the university's department of theoretical astro physics has been concentrating on binary stars (two stars revolving around a common centre of gravity in different orbits), white dwarfs (small faint stars of enormous density believed to mark the final stages in a star's evolution) and neutron stars (almost burnt out and collapsed stars).

Some of them are several million light years away from Earth and can only be seen as tiny specks. In the absence of spacecraft, it would require optically perfect telescopes with diameters of more than 1m kilometres to study them properly. Lnckily, all these stars emit intense X-ray radiation.

The Tubingen researchers have been looking at various stars in our solar system within a wide range of electromagnetic radiation (from radiowaves to quanta) and registering the arrival of this radiation with an accuracy of one thousandth of a second.

Using this information they have produced extremely detailed, high-resolution, three dimensional graphics of astral systems which depict what the stars look like and what is happening in the solar system in real time.

One of the results of these simulated space flights has been to establish thet as far as a neutron star is concerned, the greatest radiation originates from its surface, where matter moves at high speed and has a hreaking distance of a few centimetres. When it stops, the energy of motion is converted into radiation, which escapes through falling plasma and reaches an earthbound observer, who is then faced with the thorny problem of calculating the distribution of this radiation.

To create a three dimensional picture of a neutron star using its X-ray radiation, it is necessary to take into account the star's tremendous gravitational forces, which are 500bn times stronger than those on the Earth's surface.

The path of this radiation can deviate from a straight line by as much as 45 degrees. Because of this refraction, light from the dark side of a star also arrives on Earth, which makes a very large area of the star "visible".

To visualise this information, the German scientists programmed their compnter to calculate the paths of millions of light beams from individual stars, as well as their density and temperature, and then prodnced what they claim to be "extremely accurate spatial pictures."

The next step will be to improve the quality of the graphics and turn individual stills into moving images.

Rnder admits that his research is not cheap. It could use the world's largest computer round the clock, he says. But compared with conventional space flights it requires a minute expenditure of time and money.

His simulated space flights not only prodnce "beautiful and fascinating three dimensional pictures of stars from the depth of the universe," but also make it possible to study their evolution.

A change in gear puts trams back on track

A West Midlands company has developed a gearbox that should enable trams to be run more cheaply than buses in Third World cities. By offering a wide range of gear ratios, it could also make life easier for cyclists, particularly those such as rickshaw drivers who pull heavy loads.

Power for the trams will come from a flywheel, charged up with electricity at one point on a 20km route. This idea has been used at Fribourg in Switzerland and by the National Coal Board on a shunter at Seaton Delaval, Northumberland. But much of the flywheel energy was lost because it was converted back to electricity to drive the vehicles.

What J.P.M. Parry and Associates, of Cradley Heath, proposes is that the flywheel will drive the tram direct, through the new gearbox. The essence of the gearbox is two cones, side by side and base to tip. A ball between them transfers the torque from one cone to the other. Moreover the ball can be slid along the cones, changing gear.

A third cone returns energy to the flywheel when the tram is brought to a halt, thus saving both energy and brake linings.

John Parry, managing director and chairman, calls the gearbox principle "Ben's ball effect". It was the way his dog's ball got trapped between two surfaces – door and floor – that gave him the idea. He has demonstrated it with a car running on rails behind his office.

The gearbox, he points out, works without lubrication and is built of straightforward mechanical components: no electronics, hydraulics or pneumatics.

The company has a turnover approaching £1m a year based on an earlier development, sold in 50 countries. It designed equipment for low-cost tile-making that could be operated by an unskilled person.

The tram idea resulted from a study for the Overseas Development Administration on upgrading shanty towns. Parry believes that this requires a cut in the population density, which would create demand for cheap transport so that people could live further from their work.

Buses are too expensive for many people, and also costly in foreign exchange. Britain solved the same problem with trams earlier in its history.

Overhead wires could not be maintained in Third World cities and batteries could be ruined by misuse. Hence the flywheel, no heavier than batteries, and the gearbox to make it possible.

Parry says that rail wheels are long lasting and present low rolling resistance. Rolling stock, without steering, is easy to maintain and to drive. Electric vehicles are more acceptable than buses in a crowded city.

David Spark

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COMMODITIES AND AGRICULTURE

Brazil rules out coffee quotas

By David Blackwell

COFFEE prices plunged in both London and New York yesterday after Mr Jorio Dauster, president of the Brazilian Coffee Institute, said he saw no chance of export quotas being reintroduced in the near-term.

Mr Dauster's remarks at the International Coffee Organisation (ICO) in London did not come as a particular surprise to the markets – last week he said much the same before he left Brazil to attend the talks. But they appear to have ended once and for all any hope that the current round of ICO talks will have produced any positive news by Friday.

The opening of the New York market yesterday was described as "mayhem" be dealers as sell orders swamped the floor. In London prices fell to 14-year lows, with the January robusta contract touching £693 a tonne before recovering on profit-taking to close at £715 a tonne. This was down £30 on the price on Monday, which itself showed a fall of £23 a tonne. Analysts now expect the market to test £650.

"The remarks by Mr Dauster confirmed all the worst fears about the position of Brazil," said Ms Brenda Sullivan, analyst with GNI, the London futures broker. "Brazil does not expect quotas and has not come up with new proposals."

Mr Dauster said that there was no point in again going over "the same issues and problems" which led to the collapse of the coffee agreement at the beginning of July.

Base metals industries warned of over-capacity

By Kenneth Gooding, Mining Correspondent

A WARNING was given at the London Metal Exchange annual dinner last night that the base metals industries seemed to have forgotten the lessons of the recent past and once again might be heading towards excess capacity.

Mr Ian Rugeroni, president of Alcan Enterprises, part of the world's biggest primary aluminium producer, Alcan, pointed out that the copper and nickel industries currently each planned to expand capacity by 30 per cent, the zinc industry planned a 25 per cent increase, aluminium 16 per cent and lead 9 per cent.

"To absorb all this capacity, consumption would have to more than double its historical trend growth rate – and maintain it without interruption for at least five years," he said. "I wonder how many of you believe it will be possible to sustain such a level of growth."

Mr Rugeroni reminded his audience of metals traders, producers and consumers from all over the world that history showed thet the metals industries suffered long periods of low prices followed by shorter periods of high prices. "We in the metals industry are enjoying a period of great prosperity, so much so that we should know that it cannot last."

He gave details of an Alcan study which revealed "something quite extraordinary: lower prices (in the base metals industry) actually lead to lower cash costs. It is price that determines costs and not the other way around."

Mr Rugeroni said that, in 1986, as metals prices climbed out of recession and started to rise, cash costs increased for all metals. The weighted cost of the five main metals – aluminium, copper, lead, nickel and zinc – rose by 23 per cent to 50 cents a lb in 1989.

One explanation was currency. *Significant metals* capacity was located in less developed countries whose currencies tended to be devalued when the economy fell.

Also some labour contracts were tied to the price of metal and, in the aluminium industry in particular, so were some power contracts.

"It is not certain how this will all shake out when the economy turns down. But this new linkage of cost to price tells me that the response to surplus will be slower than in the past," Mr Rugeroni added.

"This structural change is a fact of life and we cannot do much about it. However, it provides all the more reason to be prudent in building new capacity."

Rudolf Wolff, a subsidiary of Noranda of Canada, is to set up what is believed to be the first commodities brokerage service in a communist country.

It has signed a deal with two Hungarian groups to set up a joint venture company with an office in Budapest to promote the use of futures markets and provide a brokerage service.

Wolff will be the major shareholder. Its partners will be the Hungarian Foreign Trade Bank, the oldest foreign trade bank in the Comecon countries, and Alukar, the trading arm of Hungalu, Hungary's biggest aluminium producer.

"The changing scene in Hungary and the whole of the eastern bloc has encouraged us to open this office," Wolff said yesterday. Rudolf Wolff Budapest will operated under the wing of the group's office in Hamburg, West Germany.

EC fraud opportunities 'increasing'

By Tim Dickson in Brussels

A WARNING that new opportunities are being created for swindlers to defraud the EC agricultural budget was delivered yesterday by a leading European lawyer.

Mr Peter Langdon-Davies, formerly a standing counsel to the UK's Ministry of Agriculture and now President of the Comité Européen de Droit Rural (CEDR), told the biennial congress of the CEDR in Ghent, Belgium, that "hard-headed lawyers" should *give the problem greater priority*.

The CEDR, a federation of national associations of agricultural law in the EC, ought to carry out a detailed study and try to come up with its own solutions, he said.

Mr Langdon-Davies told delegates that the "principal culprit" in the system was export refunds – or subsidies – and emphasised that the risk of discovery for the fraudsters is very small.

"I do not say you can be sure of cheating the Community with impunity," he said. "That is not so – as several people now sitting in prison could tell you. But the odds on success *are high*."

Referring to the complexity of the regulations – and the possibility that genuine mistakes can be made – be observed that it is "very difficult to obtain a conviction.

"Caught exporting meat which does not comply with his refund claim, the trader will say 'Yes, I can see now that I got it wrong but I had no intention to deceive. The whole thing is so complicated that I just got in a muddle.' "

Mr Langdon-Davies said that "best estimates" pnt fraudulent claims at nearly Ecu4.4bn – more than is spent on the administration of all the Community institutions, and far more than is spent on salaries and pensions.

"Those who are always complaining about the cost of the bureaucracy have got the wrong target in their sights."

US cotton futures set to soar by year end

By Nancy Dunne in Washington

POOR weather in cotton producing areas and continuing high demand could propel US cotton futures prices as high as 80 cents a pound by the end of the year.

The December contract on the New York Futures Exchange on Monday closed at 75.13 cents per pound, up from 73.9 cents at the start of the day's trading.

"The is the first time in my memory that the world's three cotton producing countries all had production problems at the same time," said Mr O. A. Cleveland, a cotton analyst at Merrill Lynch, who has been watching prices for 20 years.

The weather in China's southern provinces was poor early in the growing season, according to the International Cotton Advisory Committee. It predicts a national average yield equivalent to the poor 1988-89 Chinese crop.

Production in the Soviet Union for 1989-90 is now estimated by the Advisory Committee at 11.3m bales, down from 12.7m bales in 1988-89.

The US crop has been limited by a 25 per cent acreage reduction programme and poor weather. Mississippi, the third largest state producer, has suffered cool, wet conditions.

Thirty per cent of the crop is rated in poor condition, a drop of 15 per cent in a week, and harvesting is lagging well behind its usual pace.

Texas, which prodnces almost one third of the US crop, has endured adverse weather all year, although there has been a slight improvement in the past week. Fourteen per cent of the crop is rated in poor condition.

Strong world demand for cot*ton has not been curtailed* by higher prices, which have been boosted by a significant shift back to denim production, Mr Cleveland said.

He foresees no slackening of demand over the coming months and believes prices may approach the 80 cents level by December 1.

Alternatively, he said, prices may hover in the 72-76 cents range until March, when he expects Russia to buy cotton. Prices may then shoot up as high as 85 cents.

The Advisory Committee believes prices may go as high as 88 cents per pound during 1989-90. Net imports by China may rise from 600,000 bales to 1m, it says.

The Advisory Committee also foresees record production in 1990-91. High prices this year will encourage larger plantings in the northern hemisphere in 1990, and world production could reach a record 88m bales.

Gold versus 'Greenie' battle

Chris Sherwell on a mining row in Crocodile Dundee country

THE FUTURE of a large, proven gold, platinum and palladium resource worth around A$600m, together with an estimated A$7bn-worth of other mineral resources, is due to be considered again today by the Australian Cabinet.

The issue not only *pitches* the established claims of local mining companies against the increasingly influential "Greenie" conservation movement, but also the country's desperate need for export earnings against the growing electoral worries of Prime Minister Bob Hawke's Labor Government.

Last week the Cabinet discussed the matter for more than four hours at its regular meeting and failed to reach a decision. Badly split, Ministers are expected to consider the matter again today, and are the target for some visible private and public lobbying by powerful mining and conservation interests.

The resources at stake lie in *a 2,500 sq km zone adjacent to* the Kakadu National Park in the Northern Territory made internationally famous by the film "Crocodile Dundee." The focus is Coronation Hill, abandoned as a uranium mine in the 1960s but now known to contain a world-class deposit of gold, platinum and palladium.

Back in 1986, the government decided not to include the zone – which it inexplicably called a "conservation zone" – in the so-called "Stage 3" of Kakadu park because it was thought to be rich in minerals.

For the companies involved in Coronation Hill – Broken Hill Proprietary (BHP) and its partners Pioneer International and North Broken Hill Peko – the decision meant mining would go ahead subject to normal environmental and Aboriginal clearances. It also allowed five years of exploration.

The companies duly completed a bulky and detailed environmental impact statement on a mine at Coronation Hill, and this has received the Government's broad approval. The companies also claim to have the widespread support of the local Jawoyn people to go ahead with the project.

They say the resource itself has some 1m ounces of gold, 30,000 ounces of platinum and 100,000 ounces of palladium. In *addition, they say there* is a similar deposit at nearby El Sherana and probably a third in the area as well. According to the federal government's Bureau of Mineral Resources, the zone has mineral deposits worth A$7bn.

All this is now at risk because Mr Hawke, just before the last election in mid-1987 and in spite of the 1986 decision, decided that the Government would consult interested parties – meaning environmental groups and local Aborigines – about the boundaries of the exploration zone.

The environmental movement has since mounted a strong and emotive campaign against "the mining of Kakadu," proclaiming the area as one of Australia's jewels – even though Kakadu's most beautiful and important parts are already protected as Stages 1 and 2, and these contain two operating uranium mines.

Stage 3 in 1986 added 4,000 sq km to the 13,000 sq km of Stages 1 and 2. But the conservationists now want the excluded exploration zone declared off-limits to all mining and exploration as well, saying it is vital to the protection of the whole Kakadu park.

A key development came a few weeks ago, when Senator Graham Richardson, the powerful Environment Minister and a key exponent of the "Green" viewpoint in Cabinet, began a public campaign to slash the zone's size and postpone a decision on the Coronation Hill mine for 18 months.

Last week, in a pincer move said to be in response to complaints from the Jawoyn people, Mr Gerry Hand, Aboriginal Affairs Minister, set in motion the provisions of the Heritage Act, under which an area can be protected where sacred Aboriginal sites might otherwise be desecrated. This too could delay, and possibly prevent, a go-ahead for Coronation Hill.

The irritated companies point out that the area has been grazed, explored and mined for decades. Indeed, in 1986, the then Resources Minister called it "clapped out buffalo country." They also emphasise the economic value of the project to a country suffering an unsustainable balance of payments deficit and US$53bn in external debt, among the world's highest.

But it is far from clear whether the so-called "economic rationalists" on the other side of the Cabinet argument will prevail. They include Mr John Kerin, Minister of Primary Industries and Energy, Senator Peter Cook, Resources Minister, and others.

With an election due by the middle of 1990, and the Labor Government caught between growing public concern about the environment and a worsening economic picture, the issue is a major test. The critical question is where Mr Hawke stands – and to that there is currently no clear answer.

Russia to buy Australian sugar

By Chris Sherwell

AUSTRALIA, one of the world's principal sugar exporters, has secured its first long-term contract to sell raw sugar to the Soviet Union, with a five-year deal involving a total of 1.5m tonnes.

The arrangement represents something of a marketing breakthrough: hitherto, the only country to have a long-term sugar contract with the Soviet Union has been Cuba, another of the world's major exporters.

It also offers greater stability and price for a larger volume of the Australian crop, which in the current year is expected to reach 4m tonnes.

Of this, some 3.2m tonnes will be exported, which means the Soviet deal is equivalent to some 10 per cent of Australia's export markets.

This year these exports are expected to earn around A$1.2m, making sugar the country's second most important crop after wheat.

Yesterday the Queensland Sugar Board expressed its delight at the deal, which was negotiated through its agents, the *milling and refining company* CSR.

The Queensland Cane Growers' Council also welcomed the news, saying it meant regular sales to a market "which has been somewhat erratic over time."

Although Australia has often sold sugar to the Soviet Union, which is the world's largest single importer, its long-term contracts have been with China, Korea, Malaysia and Singapore. Other major world sugar exporters are the European Community and Brazil.

Council to meet on Saudi sheep ban

By Hunter Reynolds in Dubai

SENIOR officials from the Gulf Co-operation Council are due to meet in Riyadh today to discuss the row which has led to Australia stopping exports of live sheep to Saudi Arabia.

The agenda for the meeting of the directors of animal health has not been made public but the GCC's regulations *covering livestock trade are up* for review and discussions are expected to centre on this.

Mr Charles Jamieson, Australia's trade commissioner in Saodi Arabia, said he hoped the meeting would result in the clarification of the rules on imports of live sheep.

"There has been no official explanation as to why Australian sheep were rejected by Sandi Arabia," Mr Jamieson said. "We need predictability in the GCC's decision-making process. Otherwise we cannot resume shipments of perishable sheep if there is no guarantee that they will be allowed in."

In a separate development, a high-level Australian trade delegation is due in Riyadh for talks on Sunday with GCC officials. The visit was planned before the trade row but livesheep imports are expected to figure in the talks.

Meanwhile, Mr John Kerin, Australia's Minister for Primary Industries and Energy, has written to Dr Abdul ar-rahman ash-shaikh, the Saudi Agriculture Minister, offering ways out of the impasse.

The Australian Trade Commissioner said that he was waiting for the minister to come back *from holiday* next week to deliver the letter and discuss ways of resuming exports of livesheep to the kingdom.

Last week, the Abu Dhabi municipal anthorities held 15,000 livesheep in quarantine while tests were carried out.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,825-1,875 (1,800-1,850).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, *tonne lots* in warehouse, 4.60-4.90 (4.45-4.80).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.70-6.00

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.60 (7.35-7.60).

MERCURY: European free market, *min. 99.99 per cent*, $ per 76 lb flask, in warehouse, 220-240 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.25-3.30 (3.30-3.35).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehonse, 5.20-5.75 (same).

TUNGSTEN ORE: European *free market, standard min.* 65 per cent, $ per tonne unit (10 kg) WO, cif, 48-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 4.20-4.40 (4.50-4.80).

URANIUM: Nnexco exchange value, $ per lb, UO, 9.80 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices recovered most of Monday's losses yesterday. Sucden, *the French trade house, is now widely* believed to have secured around 150,000 tonnes of Ivorian new crop cocoa, while the world's biggest producer is also believed to be offering smaller tonnages to other traders. Dealers said sentiment that many *leading producers still* have *a lot* of cocoa to sell weighed on the market. The potential for further gains appeared to be limited, with far more scope on the downside. On the LME tin prices again retreated. Traders said the market appeared to be in a bear *channel, with most consumers still* able to remain on the sidelines and wait until prices fell to attractive levels before making fresh purchases. Copper edged ahead in afternoon trading as sterling fell

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.00-6.10q	-0.05
Brent Blend	$18.70-8.80w	+0.20
W.T.I. (1 pm est)	$20.10-0.15q	+0.05
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$213-215	-2
Gas Oil	$178-179	
Heavy Fuel Oil	$97-98	+1
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$365.75	-0.75
Silver (per troy oz)♣	523c	+1
Platinum (per troy oz)	$492.00	+0.15
Palladium (per troy oz)	$140.50	-0.18
Aluminium (free market)	$1750	-40
Copper (US Producer)	131½-138c	+½
Lead (US Producer)	40.5c	
Nickel (free market)	500c	
Tin (Kuala Lumpur market)	22.25r	-0.35
Tin (New York)	387.5c	-5.0
Zinc (US Prime Western)	80.25c	
Cattle (live weight)†	114.28p	-1.15*
Sheep (dead weight)†	151.64p	+6.76*
Pigs (live weight)†	103.70p	+3.43
London daily sugar (raw)	$352y	-5
London daily sugar (white)	$409.5y	-7.5
Tate and Lyle export price	£333.5	-3
Barley (English feed)	£108.5x	
Maize (US No. 3 yellow)	£123.75w	+0.75
Wheat (US Dark Northern)	£127.5w	
Rubber (spot)♥	58.0p	
Rubber (Nov)♥	59.0p	
Rubber (Dec)♥	59.75p	
Rubber (KL RSS No 1 Nov)	285.0m	+0.8
Coconut oil (Philippines)§	$490z	
Palm Oil (Malaysian)§	$455z	
Copra (Philippines)§	$315	
Soyabeans (US)	£162q	-2
Cotton "A" index	82.8c	+1.3
Wooltops (64s Super)	697p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. q-Nov. z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	729	708	734	705
Mar	710	706	724	705
May	728	715	735	716
Jul	742	727	743	730
Sep	757	743	760	744
Dec	783	769	783	770
Mar	806	791	807	793

Turnover: 16134 (16077) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 3 846.27 (837.35) :10 day average for Oct 4 883.82 (886.62)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	720	740	738	695
Jan	715	745	745	698
Mar	732	762	760	713
May	753	780	780	740
Jul	770	801	798	763
Sep	790	820	820	785

Turnover: 7372 (2982) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 2: Comp. daily 67.24 (67.88). 15 day average 68.10 (68.54)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	318.00	314.00	312.00	
Mar	311.40	310.20	312.80	308.00
May	306.00	305.00	306.20	304.00
Aug	300.00	298.40	300.00	298.00
Oct	290.00	287.60	290.00	288.00
Dec	287.00	286.00	280.00	
White	**Close**	**Previous**	**High/Low**	
Dec	391.80	394.50	394.00	389.50
Mar	390.00	392.50	392.50	389.00
May	389.00	391.50	391.00	389.00
Aug	389.00	391.50		
Oct	375.00	376.50	378.00	374.00
Dec	370.00	372.00	369.00	368.00
Mar	369.50	371.50	371.00	

Turnover: Raw 3304 (2361) lots of 50 tonnes. White 812 (1056).
Paris- White (FFr per tonne): Dec 2495, Mar 2512, May 2512, Aug 2515, Oct 2425, Dec 2375.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	18.44	18.37	18.47	18.30
Dec	18.14	18.14	18.10	18.06
Jan	17.90	17.80	17.96	17.88
IPE Index	18.37	18.22		

Turnover: 6530 (6860)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	176.25	176.50	176.75	174.25
Nov	173.25	173.50	173.75	171.50
Dec	172.00	171.75	172.50	170.00
Jan	170.50	170.00	171.00	168.75
Feb	166.50	166.75	166.50	165.50
Mar	162.75	162.25	163.00	162.00
Apr	158.00		159.00	158.00

Turnover 6149 (6945) lots of 100 tonnes

COTTON

Liverpool-Spot and shipment sales for the week ended September 29, 1989, amounted to 1391 tonnes against 384 tonnes in the previous week. Moderate trading occurred with interest in Israeli, American, West African and Pakistani growths.

JUTE

No changes reported.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 22,925 tonne
Cash	1768-73	1765-70	1752	1750-2		
3 months	1742-4	1745-8	1750/1730	1733-5	1740-2	33,988 lots
Copper, Grade A (£ per tonne)						Ring turnover 29,225 tonne
Cash	1798-6	1786-90	1796/1787	1787-8		
3 months	1780-1	1778-8	1785/1779	1778-9	1790-1	70,398 lots
Lead (£ per tonne)						Ring turnover 7,575 tonne
Cash	464-6	458.5-60.5	463.5/460	459.5-60.0		
3 months	460-1	457-7.5	461/458	458.5-9.0	459-61	13,159 lots
Nickel ($ per tonne)						Ring turnover 1,062 tonne
Cash	10850-75	10860-950	10875/10850	10825-50		
3 months	10610-50	10625-60	10650/10550	10550-600	10625-50	5,965 lots
Tin ($ per tonne)						Ring turnover 805 tonne
Cash	8370-90	8500-20	8400	8390-410		
3 months	8390-400	8600-10	8450/8350	8390-410	8400-20	5,658 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,225 tonne
Cash	1675-80	1690-5	1672/1671	1670-2		
3 months	1672-5	1678-8	1685/1670	1668-70	1670-5	14,316 lots
Zinc ($ per tonne)						Ring turnover 1,600 tonne
Cash	1620-30	1625-35	1623/1514	1614-5		
3 months	1600-10	1610-20		1590-600	1600-10	4,727 lots

LME Closing £/$ rate:
SPOT: 1.6065 3 months: 1.5856 6 months: 1.5627 9 months: 1.5451

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	139.5	139.0	137.0	
Apr	211.6	210.7	212.0	208.0

Turnover 206 (459) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Oct	143.00		143.00
Dec	141.00	140.00	141.00
Feb	142.50	140.50	142.50

Turnover 60 (2117) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Oct	1525	1517	1525	1510
Nov	1590	1586	1599	1585
Jan	1620	1612	1625	1610
Apr	1647	1644	1657	1644
Jul	1418	1410	1425	1420
BFI	1436	1424		

Turnover 564 (767)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	107.90	107.80	108.00	107.60
Jan	112.00	112.00	112.20	111.85
Mar	115.35	115.35	115.45	115.20
May	118.40	118.40	118.40	118.30
Jun	119.80	119.80	120.10	119.80
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.10	104.60	105.10	104.95
Jan	109.35	108.75	109.25	109.05
Mar	112.40	111.95	112.40	112.05
May	114.25	113.80	114.20	

Turnover: Wheat 259 (291), Barley 141 (206).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	131.0	131.0	130.0
Nov	133.0	133.0	132.8
Feb	121.0	121.0	120.0
Apr	122.0	122.5	121.0
Jun	121.0	122.0	120.5

Turnover 61 (30) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	365½-366	227-227½
Opening	365½-366	226½-227
Morning fix	365.00	226.610
Afternoon fix	365.5	226.668
Day's high	366-366½	
Day's low	364¼-365¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	365½-370½	227-230
Britannia	365½-370½	227-230
US Eagle	365½-370½	227-230
Angel	365½-370½	227-230
Krugerrand	365-368	227-229
New Sov.	85-87	53½-54¼
Old Sov.	85-87	53½-54¼
Noble Plat	497.90-505.80	306.30-313.20
Silver fix	**p/fine oz**	**US cts equiv**
Spot	323.55	522.50
3 months	335.25	534.40
6 months	347.00	546.25
12 months	370.20	570.20

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1650	123	110	4	25
1750	48	54	25	66
1850	11	21	90	131
Copper (Grade A)	**Calls**		**Puts**	
2750	169	179	41	112
2850	107	127	78	151
2950	63	90	133	221
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
650	73	92	8	27
700	38	63	23	48
750	14	41	49	76
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650		88		19
700	52	57	25	38
750	27	34	50	65
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1750				18
1800	43	47	1	33
1850	5	24	14	

US MARKETS

IN THE METALS, gold, silver and platinum were all lower as a stronger US dollar put pressure on the markets, reports Drexel Burnham Lambert. Volume remained light in the absence of fresh economic news. Copper also slipped as profit taking erased some of Monday's sharp gains. In the softs, coffee was the most active with prices bottoming at 7505 basis December. Lack of quotos was noted. Cocoa featured consolidation after Monday's *heavy trade. Sugar futures were slow.* The grains had two-sided action in all markets with most closing near unchanged levels. In the livestocks, choppy trading was seen in the bellies ahead of Tuesday's storage report. Live hogs firmed from the lighter runs *and strong cash prices*. Cattle closed higher despite the slow packer demand. The energy complex was mixed with crude prices remaining above the 20dollar level. Products showed weakness but local participants made up the volume.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	368.9	367.5	367.2	366.5
Nov	369.4	370.1	0	0
Dec	371.4	372.1	371.7	370.3
Feb	375.5	376.2	375.8	374.7
Apr	379.7	380.5	379.8	379.3
Jun	383.8	384.6	383.8	383.3
Aug	387.9	388.8	0	0
Oct	392.2	393.2	0	0
Dec	396.6	397.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	491.6	492.5	492.5	490.0
Nov	493.6	494.5	0	0
Jan	496.5	500.5	500.5	497.5
Apr	502.2	504.1	504.0	504.0
Jul	505.7	507.8	0	0
Oct	509.2	311.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	521.7	522.0	0	0
Nov	526.1	526.4	0	0
Dec	530.0	530.3	531.0	528.5
Jan	535.0	533.3	0	0
Mar	542.0	542.3	543.0	540.0
May	550.0	550.3	551.0	549.5
Jul	558.3	558.6	559.0	558.0
Sep	566.7	566.9	568.0	567.5
Dec	579.7	578.8	0	0
Jan	582.7	582.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	128.55	130.25	130.00	129.40
Nov	127.45	128.25	0	0
Dec	125.95	126.75	126.95	125.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	20.10	20.01	20.25	19.92
Dec	19.90	19.77	20.04	19.79
Jan	19.66	19.56	19.80	19.50
Feb	19.60	19.42	19.60	19.33
Mar	19.35	19.27	19.44	19.25
Apr	19.23	19.18	19.24	19.18
May	19.13	19.04	19.18	19.13
Jun	19.02	18.94	19.10	19.02
Jul	18.92	18.85	18.92	18.92
Aug	18.87	18.77	18.90	18.90

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	5930	5968	6005	5910
Dec	5970	5970	6025	5925
Feb	5770	5749	5830	5720
Mar	5550	5504	5590	5535
Apr	5350	5289	5390	5315
May	5175	5124	5180	5130
Jun	5090	5019	5090	5090
Aug	5050	5027	5050	5050

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1002	1008	1032	999
Mar	1011	1018	1032	1010
May	1026	1036	1045	1030
Jul	1046	1055	1065	1046
Dec	1100	1106	1117	1100
Mar	1125	1130	1130	1130

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	76.50	80.63	78.50	75.05
Mar	79.11	82.62	80.00	77.50
May	81.50	85.08	82.00	80.40
Jul	83.70	87.30	84.20	82.50
Sep	85.60	89.38	86.50	86.50
Dec	86.88	92.65	89.75	89.00
Mar	91.20	94.00	92.50	92.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.10	13.16	13.10	13.10
Mar	13.93	13.92	14.10	13.86
May	13.70	13.66	13.88	13.61
Jul	13.48	13.47	13.63	13.44
Mar	12.75	12.75	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	75.90	75.87	76.25	75.75
Dec	74.97	75.13	75.75	74.58
Mar	75.85	75.88	76.40	75.48
May	76.07	76.30	76.90	76.00
Jul	76.00	76.35	76.90	76.00
Oct	70.20	70.18	70.25	70.20
Dec	67.20	67.05	67.40	67.05

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.60	137.00	137.75	136.05
Jan	132.25	132.50	133.00	132.00
Mar	131.50	132.10	132.30	131.30
May	131.50	131.70	131.70	131.10
Jul	131.50	131.80	132.00	132.00
Sep	131.50	131.60	0	0
Nov	131.50	131.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 2	Sept 29	mnth ago	yr ago
1875.3	1869.1	1902.1	1874.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.93	129.42	129.37	131.14
Futures	161.95	130.92	130.85	135.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	576/2	577/0	578/0	572/0
Jan	586/0	589/2	590/2	584/4
Mar	600/2	602/0	602/4	597/0
May	610/4	612/2	612/0	607/4
Jul	615/6	617/4	618/0	613/4
Aug	613/6	612/0	616/0	613/6
Sep	597/0	598/0	603/0	597/0
Nov	594/4	595/6	597/4	593/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.06	19.09	19.15	18.95
Dec	19.44	19.50	19.60	19.37
Jan	19.68	19.75	19.82	19.63
Mar	20.10	20.15	20.23	20.05
May	20.45	20.45	20.55	20.45
Jul	20.75	20.77	20.90	20.65
Aug	20.70	20.80	20.70	20.71
Sep	20.70	20.80	20.70	20.71

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	192.8	191.3	193.0	190.0
Dec	187.0	185.6	187.2	184.8
Jan	185.5	184.3	185.8	183.4
Mar	184.2	183.1	184.6	182.5
May	183.5	182.5	183.5	181.5
Jul	182.2	182.0	183.0	180.1
Aug	181.2	181.0	181.6	180.0
Sep	180.0	179.0	180.0	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	240/4	241/4	241/6	238/2
Mar	248/4	249/0	249/6	246/0
May	254/4	255/0	255/6	251/6
Jul	257/2	257/6	259/0	255/0
Sep	246/4	246/4	249/0	244/4
Dec	243/0	244/6	244/6	242/0
Mar	250/0	251/6	251/0	249/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	409/6	407/2	410/0	404/4
Mar	405/4	404/2	405/6	401/2
May	386/2	383/2	386/4	381/0
Jul	356/6	353/4	357/0	351/4
Sep	359/4	357/6	359/4	358/0
Dec	369/0	366/0	369/0	366/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.35	71.16	71.40	70.67
Dec	73.77	73.42	73.92	72.90
Feb	74.27	74.02	74.40	73.82
Apr	74.67	74.50	74.75	74.20
Jun	72.00	71.92	72.02	71.60
Aug	70.35	70.25	70.50	70.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.10	44.17	45.15	44.25
Dec	45.25	44.70	45.30	44.55
Feb	45.85	45.52	45.98	45.45
Apr	43.82	43.40	44.05	43.30
Jun	48.17	47.72	48.20	47.60
Jul	48.45	47.90	48.45	47.52
Aug	47.05	46.75	47.10	46.65
Oct	43.45	43.50	43.50	43.32

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.50	48.55	48.75	47.90
Mar	48.30	48.37	48.45	47.75
May	48.62	49.05	48.90	48.25
Jul	48.20	48.70	48.70	48.10
Aug	46.70	47.05	47.25	46.45

LONDON STOCK EXCHANGE

Currency factors again help shares

THE UK stock market staged a successful rally yesterday, recovering nearly 30 points of the prolonged setback triggered by last week's news of a £2bn UK trade deficit in August. The day's gain represented the third largest daily rise in the Footsie this year.

While concern over domestic interest rates remains high, the equity market was helped by another steady performance from the pound and by relatively satisfactory UK currency reserve numbers for last month. Some strategists took a slightly more optimistic view on European interest rates ahead of tomorrow's Bundesbank meeting.

Account Dealing Dates

*First Dealings:	Sep 18	Oct 2	Oct 16
Option Declarations:	Sep 28	Oct 12	Oct 26
Last Dealings:	Sep 29	Oct 13	Oct 27
Account Day:	Oct 9	Oct 23	Nov 6

*New time dealings may take place from 8.00 am two business days earlier

Internal market factors also buttressed share prices yesterday. Ferranti shares were requoted and held at a much higher price than feared in some quarters, with heavy turnover in the stock helpful to a London market maker believed to have been caught with a heavy position when the shares were suspended.

The dollar's persistent firmness in the face of central bank intervention was a plus factor for the blue chip overseas earners, although turnover in these stocks was unimpressive.

After opening higher in the wake of Wall Street's overnight gain of 20 points, UK stocks moved up steadily to close with a further uptick as the New York market again came in strongly. The final reading showed the FT-SE Index at 2,318.6, a gain on the day of 29.4 points.

Seaq volume was strong at 555.7m shares, against Monday's 405.2m, but Ferranti trades made up around one fifth of the total. However, intra market business was believed to be high as market makers moved to buy shares.

An indication of willingness to buy stock came as Salomon International placed with UK institutions the £65m rump of the British Airways partly-paid convertible bond left by US investors. There was also strong institutional demand for the Grand Metropolitan shares newly-converted on Monday; indexed funds were left underweight by the conversion of the loan stock issued for the Pillsbury deal.

Yesterday's recovery restored nearly one half of the 70 point loss suffered last week, and the strength of the rally surprised most analysts. However, many expressed doubts as to whether the recovery could be carried much further against the background of a market still beset with uncertainties.

On the plus side of the market's balance sheet, some analysts suggest that, while London remains nervous ahead of Thursday's decision on German interest rates, the Bundesbank might choose to postpone a rate rise. Also, sterling's relative steadiness so far this week has taken some of the sting out of the flurry of bearish views which greeted the stock market on Monday morning.

FINANCIAL TIMES STOCK INDICES

	Oct 3	Oct 2	Sep 29	Sep 28	Sep 27	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.59	84.51	84.57	84.61	84.76	88.04	89.29 (6/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.19	95.20	95.68	95.98	96.03	96.89	99.59 (15/3)	95.19 (3/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1889.3	1876.9	1865.7	1876.2	1907.4	1487.6	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	208.9	211.9	212.0	215.2	212.9	172.6	215.2 (28/9)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2318.6	2289.2	2299.4	2291.7	2331.2	1807.3	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.30	4.35	4.31	4.34	4.27	4.74				
Earning Yld %(full)	10.30	10.42	10.34	10.40	10.23	11.96				
P/E Ratio(Net)(*)	11.70	11.57	11.65	11.59	11.78	10.13				
SEAQ Bargains(5pm)	25,346	22,633	27,740	28,332	22,804	21,665				
Equity Turnover(£m)†	-	835.75	998.87	759.18	992.60	977.07				
Equity Bargains†	-	23,688	27,872	22,601	22,709	22,227				
Shares Traded (ml)†	-	272.9	408.4	323.7	340.9	368.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 11.59 †Corrected figure.

Ordinary Share Index, Hourly changes — Day's High 1899.3 — Day's Low 1884.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1886.3	1888.0	1888.9	1889.4	1888.2	1890.4	1892.7	1893.5

FT-SE, Hourly changes — Day's High 2318.6 — Day's Low 2298.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2300.0	2303.6	2304.4	2303.6	2308.2	2306.2	2310.3	2311.4

S.E. ACTIVITY

Indices	Oct 2	Sep 29
Gilt Edged Bargains	80.2	90.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5—Day average		
Gilt Edged Bargains	88.4	87.5
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974, †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,500	135½	+1½	Courtaulds	717	376	+4	LASMO	708	512	+7	Saatchi & Saatchi	376	246	+1
Abbey National	4,100	149½	+½	Dalgety	557	424	+3	Lonrho	985	266	+5	Sainsbury	1,900	274	+2
Allied-Lyons	340	521	+9	Dixons	264	141	+1	Lucas	259	679	+6	Scott & Newcastle	1,800	364	+13
Amstrad	5,100	66	-1	Eng. China Clays	61	460	+1	MB Group	4,500	208	+2	Sears	3,800	116	-2
Argyll Group	2,000	229	+5	Enterprise Oil	361	599	+13	MEPC	681	529	+8	Sedgwick	1,000	278	+4
Ass. Brit. Foods	84	409	+3	Fisons	4,000	328	+11	Marks & Spencer	738	198	+1	Shell Transport	2,700	438	+6
BAA	559	341		General Accident	244	1081	-2	Maxwell Comm.	2,000	203	+2	Siebe	2,425	523	+6
BAT Inds.	2,832	833	+17	General Elect.	1,500	245	+4½	Mecca Leisure	131	186	+1	Slough Ests	578	354	+3
BET	504	288	+3	Glaxo	616	1479	+15	Midland Bank	292	365	+5	Smith & Nephew	1,400	142	+1½
BICC	2,400	510	+3	Globe Inv.	522	140½	+2	Nat. West. Bank	1,600	328	+6	SmithKline Beecham	2,400	560	+6
BOC	972	502	-1	Glynwed Int.	1,400	280	-10	Next	3,300	134	+1	Smiths Industries	721	300	+2
BPB Inds.	1,100	262	+1	Granada	24	345	+2	Northern Foods	391	329	+1	Standard Chartered	36	531	+3
BTR	1,400	450	+7	Grand Met.	4,400	598	+20	Pearl	2,300	646	+7	Storehouse	1,400	141	
Barclays	1,200	522	+6	GUS A	378	1105	-9	Pearson	253	726	+1	Sun Alliance	144	309	+2
Bass	447	1051	+8	GRE	740	224	+1	P & O	1,600	675	+1	T&N	632	217	+3
Blue Circle	857	243	+1	GKN	1,100	432		Pilkington	971	259	+3	TI Group	547	462	+6
Boots	2,100	287	+4	Guinness	2,700	573	+6	Polly Peck Intl.	712	330	-1	TSB	1,200	115½	+1
Brit. & Comm.	237	144	+2	Hammerson 'A'	355	812	+6	Prudential	4,100	199	+3½	Tarmac	1,000	290	+2
Brit. Aerospace	2,900	625	-8	Hanson	8,600	215½	+4	RHM	1,300	454		Tate & Lyle	938	265	+3
British Airways	1,500	211	+2½	Harrisons & Cros.	846	167	+3	RMC	229	718	+7	Taylor Woodrow	205	308	+4
British Gas	3,200	212	+3	Hawker Siddeley	148	705	+3	RTZ	1,600	548	+7	Tesco	1,900	200	+1
British Land	386	372	+6	Hillsdown Hldgs	968	302	+4	Racal	6,200	237	+10	THORN EMI	1,909	813	+13
BP	2,900	307	+5	IMI	2,300	227	+2	Rank Org.	121	942	+6	Trafalgar House	982	398	+3
British Steel	3,300	136	+1½	Imp. Chem.	669	1247	+10	Reckitt & Colman	135	1198	+7	Trusthouse Forte	1,400	333	+6
British Telecom	2,100	272½	+2½	Inchcape	376	271	+2	Redland	469	354	+5	Ultramar	445	329	+4
Burmah Oil	234	625	+2	Jaguar	5,000	599	+26	Reed International	488	426	+4	Unilever	401	631	+8
Burton	1,900	235		Kingfisher	1,000	330	+3	Reuters	1,100	934	+14	United Biscuits	816	304	+7
Cable & Wireless	4,300	568	+6	Ladbroke	1,100	337	+7	Rolls Royce	1,300	184	+3	Utd. Newspapers	763	489	+10
Cadbury Schweppes	3,200	398	+9	Land Securities	697	570	+10	Rothmans	180	631	+2	Wellcome	275	665	+6
Carlton Comms.	118	879	+3	Laporte	525	493½	-1½	Royal Bk of Scotland	677	178	+3	Whitbread 'A'	958	381	+11
Commercial Union	1,400	457	+6	Legal & General	2,250	371	+8	Royal Insurance	3,400	458	+4	Williams Hldgs.	854	253	-1
Costain	1,770	321	+7	Lloyds Bank	379	393	+4	STC	2,400	342	+6	Wimpey	437	269	+4

Ferranti return excites

The re-listing of Ferranti shares, which were trading at 73½p before being suspended on September 21, was accompanied by intense market activity and speculation that a potential predator had acquired a substantial stake in the defence electronics group.

Names mentioned as having been behind a stake-building operation included British Aerospace and STC, as well as some overseas groups, although the likelihood of the UK Government allowing overseas ownership of a leading UK-defence group was regarded as unlikely.

Ferranti shares opened at 48p, holding that level for around 30 minutes, when the first of a series of large deals appeared on the SEAQ ticker. These triggered a rise in the share price which topped at 57p before closing at 55p. In the first hour, around 70m Ferranti shares changed hands.

At the close of business 115m Ferranti shares had been traded. Hoare Govett and Flemings, two UK securities houses, were believed to have acquired substantial lines of stock. It was the Hoare Govett link – broker to British Aerospace – that triggered the stories of stake-building.

Analysts see British Aerospace as the likely stakeholder and the stake acquired as in the region of 2.5 per cent. They think that Ferranti may dispose of interests worth around £100m and that a partner – BAe the obvious favourite – will subscribe for up to £250m worth of new Ferranti. As stakebuilding tales circulated, BAe closed 8 down at 625p on turnover of 2.9m.

Jaguar race

Jaguar raced ahead on speculation that General Motors may be ahead of Ford in the bid for the UK luxury car manufacturer. Soon after the market opened Jaguar jumped 18 to 591, though trading volumes were low. But as the share price approached 600p Jaguar ran into selling and dealers noted brisk two-way business. Jaguar closed up 26 at 599.

The main reason for Jaguar's strength was talk that General Motors may have secretly filed an application to bid for Jaguar, which it is obliged to do under the Hart-Scott-Rodino Act, said Stephen Reitman of UBS Phillips and Drew. Ford has already filed and by October 20th will be free to try to take a larger stake in Jaguar, he said.

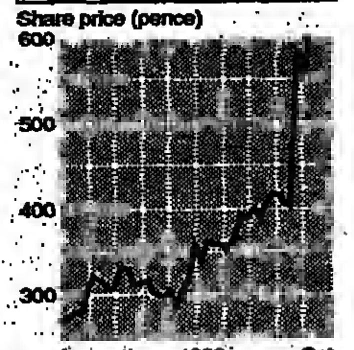
The market had assumed that although General Motors could make a friendly bid for Jaguar, it was lagging behind Ford. But yesterday traders speculated that General Motors may have agreed in secret with Jaguar to file its application. "General Motors may already have the clock ticking. It could be ahead of Ford but because filings are confidential its impossible to check," explained Mr Reitman.

Whether the market speculation is correct, analysts agreed that the winner in any contest for Jaguar will be the highest bidder and not necessarily the best managers. Mr Reitman said that as Ford or General Motors both wanted to win, Jaguar's share price could even rise to £10.

Scottish & Newcastle Breweries featured with a 13 leap to

Jaguar

Share price (pence)



364p, albeit in relatively thin trading of 1.8m shares, after a story that Elders, the Australian group had passed on their 23 per cent stake at a price well in excess of current market levels – 400p a share was mentioned. Specialists said that names put up as potential buyers of the holding included Anheuser Busch and Carling.

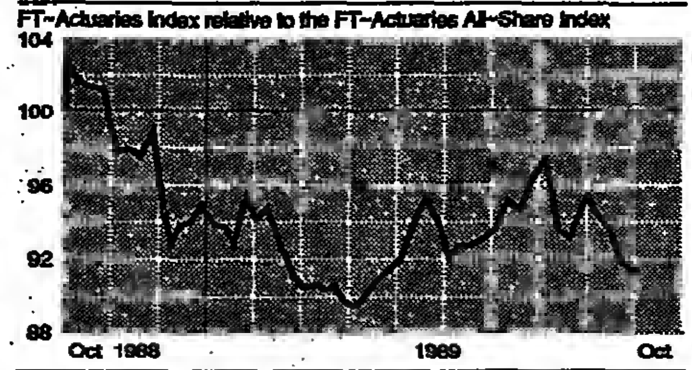
GUS "A" were among a handful of stocks lower over the session. The shares went back 9 to 1105p in the wake of some determined selling by Hoare Govett. Hoare said it had been hearing bearish noises on GUS's mail order business.

Stores were mixed ahead of results from Sears on Wednesday and Next the following day. Sears lost 1 to 116, while Next gained 1 to 134. Kingfisher added 3 at 330 and Storehouse was unchanged at 141.

Analysts said the stores sector would continue to trail the rest of the market as long as the uncertainty over higher

Stores

FT-Actuaries Index relative to the FT-Actuaries All-Share Index



interest rates remained. "Over recent weeks stores have lost all momentum as the prospect of a rate cut has dried up," said Mr Chris Dickman, director of retail research at Smith New Court. Indeed, the possibility of a further mortgage rate increase just as the busy Christmas shopping period gets under way has made institutions wary of stores stocks.

But even if the pound holds steady and the government is able to avoid a rise in interest rates, the store sector will have to negotiate its way through a clutch of important company results, some of which threaten to disappoint. These worries were sparked off last week by the 36 per cent fall in Laura Ashley half-time profits. Meanwhile, analysts predict Next profits will fall by a third to £20m. A question mark has even been raised over Marks and Spencer, the sector leader. The all-important Marks and Spencer results are due around the end of the month and there has been scattered talk that Marks and Spencer may have had a poor trading month in September, due to the unusually warm weather. But Mr Nick Hawkins of Kleinwort Benson said, these doubts are probably wide of the mark and that Marks would turn in another strong set of earnings.

The dollar's resistance to attempts by central banks to curb its strength helped dollar stocks gain ground. Among the leaders, ICI added 11 to 1247p and Glaxo 15 to 1479p.

There was some support for BAT Industries, with 2.2m shares traded as the London market continued to weigh up the implications of Hoylake's declaration of support for the BAT board's plans to demerge some operations. The shares put on 17 to 833p.

The bid stories surrounding Morgan Grenfell drove Morgan shares up 13 more to 370p, after 373p, while the latest buying in of their own shares helped boost Kleinwort Benson 8 to 374p. SG Warburg jumped 12 to 432p.

Insurances attracted another wave of bid-inspired buying interest. Pearl, where the market is looking for an increased bid of perhaps up to 700p a share, closed 7 ahead at 646p. Legal & General, "fundamentally the cheapest stock in the whole insurance market," according to one analyst, raced up 8 more to 371p. Royal Insurance edged up 4 to 458p despite further selling by Adsteam, the Australian group run by Mr John Spalvins.

An oil sector underpinned by the strong showing by crude oil prices since the recent OPEC accord – most crudes are up by around $1 a barrel – was featured by good gains throughout the list.

BP moved up 3¼ to 305¼p on turnover of 2.9m, with the shares strongly supported by domestic and overseas buyers chasing the stock after the recent £200m-worth of property sales – "good for the balance sheet", said one analyst. And Kleinwort Benson highlighted BP's attractions; "BP remains our first choice as its low tax Alaskan production and geared balance sheet mean any rise in oil prices feeds through strongly to the bottom line. It has now largely completed its rationalisation programme and is looking to 'grow its dividend in real terms' even on a scenario of flat real oil prices."

Shell, also rated a buy by Kleinwort – "a beneficiary of sterling weakness and will be pulled up by Wall Street's resilience", says Kleinwort, rose 5 to 429p on 2.3m.

Enterprise Oil was well supported, the shares adding 9 at 595p; dealers said there had been keen demand for Enterprise ahead of the impending commencement of an exploration well in Vietnam. The well is regarded by analysts as possibly adding substantially to the group's net asset value. "They've worked hard to get the chance to drill there and they have an extremely good reputation for finding oil," said an analyst.

The expected bid for Caradon, the building products group which manufactures Twyfords bathroom suites and Everest double glazing, materialised at the outset of trading. MB Group, as expected, announced it was offering a mixture of cash and shares, worth some 550p a share for each Caradon, valuing the latter company at around £338m. Directors and other shareholders speaking for almost 36 per cent of Caradon, have accepted the MB offer. Caradon shares leapt to 532p on the news, before settling a net 45 higher at 533p; turnover totalled 4.5m shares. Costain, still boosted by vague takeover speculation advanced strongly to close 9 higher at 328p.

Racal Electronics rose 10 to 237p on turnover of 6.2m with business in the stock given a boost by a buy recommendation issued by Mr Patrick Wellington of the County NatWest WoodMac electronics team.

The latest moves in the US cellular business, indicating even higher "per pop" valuations for cellular – McCaw is selling its stake in Southeast Cellular for $1.3bn and buying Metro Media for the equivalent of $275 "per pop" – were behind a late spurt in the Racal twins.

Mr Wellington has raised his 1990/1 forecast for Electronics by £20m to £340m "to reflect the rapid growth at Vodafone," adding that his forecast of 45 per cent profits growth for that year "could still be too low." Mr Wellington says "Vodafone continues to perform very strongly with an acceleration in the number of net new subscribers per week to substantially more than 3,000," and that the "original target of of 450,000 subscribers by the end of 1989/90 is revised up to 475,000."

The County analyst says the main reason for buying Racal Electronics is for its 80 per cent stake in Racal Telecom. He has lifted his Telecom profits forecast for 1990/1 from £210m to £250m and says "this number could yet prove conservative." Racal Telecom shares added 8 at 373p.

British Telecom, which has a 22 per cent stake in McCaw, edged up 2½ to 272½p. National Telecom, where bid news is imminent, jumped 11 to 112p.

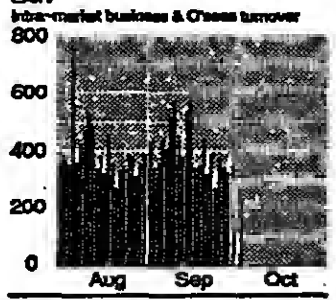
Ward Group's interim results, showing pre-tax profits more than doubled at £6.4m, against last time's £3.1m and an interim dividend of 2.4p against 1.8p, gave Ward shares a substantial boost, the stock closing a net 15 higher at 395p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (66).
AMERICANS (4) BANKS (4) BREWERS (1) BUILDINGS (4) STORES (2) ELECTRICALS (4) HOTELS (1) INDUSTRIALS (3) Eastern Prod., Robertson Grp., Sharpe & Law 8½pc Cv. Pf., INSURANCE (8) LEISURE (2) PAPERS (3) PROPERTY (1) TRUSTS (8) OILS (1) MINES (3).
NEW LOWS (68).
AMERICANS (1) BANKS (2) BUILDINGS (3) CHEMICALS (2) STORES (4) ELECTRICALS (8) ENGINEERING (2) FOODS (1) INDUSTRIALS (17) Bodycote Int'l, Business Tech. Grp., Charterhall, Cooper (A.), Elecq, Ensor, ISS-Int. Serv. Sys. "B", Jourdan (T.), NMC, Sothebys Hlds. Inc. Class "A", Young (H.), INSURANCE (1) LEISURE (3) MOTORS (3) PAPERS (3) PROPERTY (1) SHOES (1) SOUTH AFRICANS (1) TEXTILES (1) TRANSPORT (1) TRUSTS (4) OILS (2) MINES (1).

APPOINTMENTS

Chairman at Low & Bonar

■ LOW & BONAR, the international packaging, plastics and specialist textiles group, has appointed Mr Ian Macpherson to be its new chairman. He is already a non-executive director of Low and Bonar and chairman of Watson & Philip. He will succeed the current chairman Sir Dermot de Trafford, whose retirement at the annual meeting in May 1990 was announced in last year's annual report.

■ Mr Henry Roberts, chief executive of the food supply division of HUGHES FOOD GROUP, has joined the main board.

■ Mr Bob Kemp, former ECGD director, has become a non-executive director of SEDGWICK CREDIT, part of the Sedgwick Group.

■ Mr Philip Harrisson, a main board director of United Transport Europe, has been made managing director of UNITED TRANSPORT CONTRACT SERVICES. He also joins the board of United Transport Logistics.

■ ANTLER PROPERTY CORPORATION has formed an executive main board with Mr Philip Gower, group chairman, Mr Iain Ramsay, group managing director, and Mr Christopher Hounsell, group financial director.

ROYAL TRUST BANK has appointed Mr Hartland MacDougall *(above)* as chairman of the board. He is chairman of Royal Trust Group's board and is based in Toronto, Canada. Mr David Doune, a non-executive director of Royal Trust Bank, has been appointed deputy chairman.

■ CLYDE PETROLEUM has appointed Mr Paul Zatz, formerly legal and corporate director, its finance director. Mr Andrew Windham has succeeded him as company secretary. Mr Hans van Dijk of DSM Energie has become a non-executive director.

■ Mr Henry Z. Shelton Jr has joined SUN INTERNATIONAL EXPLORATION AND PRODUCTION COMPANY as chief financial officer. He replaces Mr Timothy R. Hughes who has returned to the US for a position on Sun's corporate financial staff.

■ Mr Trevor Jackson has been made marketing director of FIELD AVIATION, and its sister company, METAIR AIRCRAFT, both members of the Hunting Associated Industries Group. He was technical director of Orion Airways.

■ Mr David H. Collins, managing director of Unilock Partitions, has joined the board of UNILOCK HOLDINGS. Mr Ronald V. Gorlin, formerly a senior partner at Arthur Andersen & Co, has become a non-executive director. Mr Reginald L.A. Woolgar is retiring at the end of the year.

■ Mr Andrew Garety of Tootal has joined THE BODDINGTON GROUP as group finance director. Mr Paul Judge, previously chairman of Premier Brands, has become a non-executive director.

■ FINLAN GROUP, the property development and materials handling group, has restructured its board. Mr Michael Rhode, chairman, will become non-executive chairman and will continue to advise the group on property related issues. Mr David Rippon, the group's chief executive and managing director, will takeover the chairman's executive responsibilities. Mr Kim Taylor-Smith, commercial director, is appointed finance director, taking over from Mr Stephen Haley who is leaving.

■ CREDITO ITALIANO, the UK merchant bank of the Credito Italiano Group, has appointed Mr Mario Giannelli as an executive director and Mr Tony Robbins as associate director. Mr James Riley-Pitt has been elected to the board of CIL.

■ Mr David Reed has been appointed a development director at FORD SELLAR MORRIS DEVELOPMENTS. He was development director at Rush & Tompkins.

■ Mr Andrew Wignall has joined ASD, the Leeds-based industrial distribution group, as financial director. He was financial director of London & Scandinavian Metallurgical Co.

■ JOHN MOWLEM & CO has appointed Mr E.R. Wilson and Mr B.W. May divisional chairmen within Mowlem Regional Construction. Mr Eddy Wilson is appointed divisional chairman responsible for Mowlem Regional Construction civil engineering division, Mowlem north west building division, Mowlem Midlands and Mowlem Scotland. Mr Brian May is appointed divisional chairman responsible for Rattee & Kent (Cambridge) and Mowlem Northern.

The different national financial markets have now become part of a global economic region. The trend towards worldwide diversification of investments poses new challenges and demands teamwork with strong banking partners.

Many of our customers are international banks – just like us.

Close relations with domestic and foreign credit institutions and central banks have traditionally played an important role at BHF-BANK. In securities and foreign exchange trading as well as in portfolio management and custody accounts, our foreign partners bank on our strength.

As the Deutsche Mark has gained in stature as an international investment and reserve currency, Frankfurt has increasingly become an important European financial centre and the German capital market more appealing than ever before. With its long established position, more and more banks put their trust in BHF-BANK when considering commitments here.

Global perspectives are only part of what it takes to make a bank a partner for other banks throughout the world. Equally important is the ability to understand each individual problem and to create the customized solution – the style of a merchant bank, which BHF-BANK has cultivated for more than 100 years.

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	56.19	56.76	65.39	+0.45	4.54
Gilts & Fixed Int	6	108.3	108.3xd	134.9	+0.3	8.75
High Inc Equity	6	136.0	138.9xd	147.8	+1.6	4.34
Worldwide Bond	6	199.7	199.1	211.6	+0.9	5.01
Capital Growth						
American Growth	6	202.3	204.5	217.4	+1.9	0.87
Asian Pacific	6	112.7	114.9	122.3	+1.8	1.06
Assets & Earnings	6	167.4	162.4	175.7	+1.2	2.11
Capital Reserve Acc	0	86.85	86.85	86.88	+0.15	4.00
Capital Reserve Inc	0	77.10	77.10	77.12	+0.13	5.19
Comdty & Energy	6	111.5	114.1xd	122.1	+0.6	1.56
1992 Enterprise	6	61.21	62.37	66.36	+0.45	1.93
Euro Capital Acc	6	96.78	97.41	103.7	-0.5	0.72
Euro Capital Inc	6	93.29	94.00	100.0	-0.4	0.75
General	6	181.1	181.1	193.7	+2.4	2.58
International	6	54.81	55.71	59.27	+0.84	0.09
Japan	6	121.5	123.3xd	151.2	-1.1	0.00
Marketrust	6	92.43	92.43	98.86	+0.3	1.72
UK Growth Acc	6	202.0	202.0xd	216.1	+0.1	1.30
UK Growth Dist	6	133.4	133.4	142.7	+0.1	1.96
US Emerging Cos	6	[illegible]	57.12	60.77	-1.5[illegible]	[illegible]
Income & Growth	6	310.4	316.1	337.0	+3.7[illegible]	[illegible]
Ethical	6	[illegible]	49.76	54.21	+0.1[illegible]	[illegible]
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Int & Growth	5¼	33.40	33.60xd	35.86	+0.24	2.09
European	5¼	14.66	74.86	79.92	-0.56	0.00
European Income	5¼	70.94	70.94xd	75.73	-0.72	2.48
Exempt	1	822.9	822.9xd	855.8	+6.30	1.82

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Prudential Holborn Unit Tsts Ltd (1445)H						
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						
Holborn Trust	6	25.26	25.53	27.30	+0.12	0.88
Holborn Comm	6	80.87	80.87	86.49	+0.24	0.26
Holborn Equity Inc	6	69.03	69.03xd	73.82	+0.46	4.48
Holborn Equity	5	[illegible]	607.85	643.22	+4.46	3.14
Holborn European	6	145.83	146.98	157.19	+0.67	0.23
Holborn High Inc	6	83.94	83.84xd	89.66	+0.32	6.15
Holborn Intl Grth	6	129.50	129.50	138.50	+1.04	0.67
Holborn Intl Sm Co	6	60.60	00.60xd	64.81	+0.31	0.00

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scottish Provident Inv Mgt Ltd (1000)F						
6 St Andrew Sq, Edinburgh EH2 2YA 031-558 2327						
Equity Growth Acc	6	19.65	19.90xd	21.30	+0.53	4.03
Equity Growth Inc	6	18.67	18.90	20.23	+0.51	4.03
Intl Growth Acc	6	24.17	24.61xd	26.34	+0.17	0.55
Intl Growth Inc	6	23.65	24.07	25.76	+0.16	0.55
Global Income Acc	6	21.70	21.84	23.38	+0.01	4.97
Global Income Inc	6	20.16	20.30	21.73	+0.01	4.97
Market Leaders Acc	6	19.47	19.59	20.96	+0.27	4.00
Market Leaders Inc	6	18.18	18.30	19.58	+0.25	4.00
Scottish Widows' Fund Mngmt (0659)H						
PO Box 902, Edinburgh EH16 5BU 031-668 3724						

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA. 01-588 3963						
PM Equity Gth	5	123.1	123.1	130.9	+0.5	2.64
PM Income & Gth	5	102.0	102.0xd	108.5	+0.3	4.05
PM Nth Amer Gth	5	61.41	61.41	65.32	+0.26	1.15
PM European Gth	5	61.18	61.28	65.19	-0.3	0.66
PM Japan Gth	5	82.37	82.50	87.76	-1.09	0.28
PM Overseas Gth	5	57.22	57.22	60.87	-0.57	0.43

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australian Gold	5	17.07	17.18	18.27	.....	0.00
Pacific Basin	5	30.77	30.77	32.73	+0.49	0.60
Can Balanced Gwth	5	51.77	51.77	55.07	+0.07	0.10
Global Min	4	0.9640	0.9640	1.0044	+0.14	7.72
Penny Share	5¼	30.23	30.23	32.15	-0.17	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	138.3	140.1xd	149.0	+0.4	4.99
Wellington Growth	5¼	221.9	224.0xd	238.3	-1.6	1.37
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299452						
Wessex UK Gwth	4¼	114.2	118.3	123.2	.....	2.82
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger	2¼	59.14	59.14	60.61	+0.26	0.27
Short Dtd Gilt	1¼	81.02	81.02	82.05	+0.02	6.89
US Govt Bond	1¼	.5705	.5705	.5780	.....	0.00
Willis Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	202.4	205.0	218.0	.....	2.42
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Capital & Equity	5	63.52	66.55	70.79	+0.08	6.69
European	5	77.48	77.87	82.83	+0.29	0.09
Far Eastern	5	62.30	67.49	71.79	-0.11	0.59
Growth Inc	5	85.20	88.56xd	94.21	+0.35	1.43
Growth Acc	5	85.27	88.63xd	94.28	+0.33	1.43
Income Inc	5	82.69	85.09xd	90.52	+0.29	4.70
Income Acc	5	82.79	85.20xd	90.63	+0.30	4.69
Property Share	5	53.48	53.48	57.22	-0.19	1.00
Smaller Co's	5	55.48	55.48	59.14	-0.42	1.61
Nth American	5	67.44	67.44	72.12	+0.14	1.53
International	5	50.82	50.82	54.35	+0.09	1.37
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	111.94	111.94	117.85	.....	3.98
UK Growth	5	95.00	95.00	100.00	.....	3.00
UK Income	5	95.00	95.00	100.00	.....	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	125.0	132.0	.....	–
Building Soc. Fd	174.0	184.0	.....	–
Balanced	292.0	308.0	+1.0	–
European	191.0	202.0	+2.0	–
GT Managed	192.0	203.0	+1.0	–
Gartmore Mngd.	128.0	135.8	.....	–
German	139.0	147.0	+2.0	–
Gilt	181.0	191.0	.....	–
Global	50.0	53.0	.....	–
High Inc.	120.0	127.0	.....	–
International Equity	203.0	214.0	+1.0	–
Japan	277.0	292.0	.....	–
Managed	64.0	68.0	.....	–
Property	294.0	310.8	.....	–
R. W. Imperial Gold	155.0	164.0	.....	–
UK Equity	362.0	382.0	.....	–
Pension Funds				
American	147.0	155.0	.....	–
Building Soc. Fd	177.0	187.0	.....	–
Balanced	227.0	239.0	.....	–
European	194.0	205.0	.....	–
German	122.0	129.0	.....	–
Gilt	159.0	168.0	.....	–
International Equity	147.0	155.0	.....	–
Japan	150.0	158.0	.....	–
Managed	67.0	71.0	.....	–
Property	225.0	237.0	.....	–
UK Equity	333.0	351.0	.....	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	97.05	102.62	(z)	–
Pensions Cash Fund	80.21	84.43	(z)	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	624.1	657.7	+1.9	–
Adventurous Mngd	135.5	142.8	+0.6	–
Secure Mngd	112.0	118.1	−0.1	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]	95⅝	Treas 5pc 1986-89	99½xd	.....	–	–
[illegible]	98⅝	Exch 10¼pcCv '89	99	.....	10.29	13.22
[illegible]	99¾	Treas 13pc 1990‡‡	99	.....	13.04	13.46
[illegible]	124	Treas 2pc IL '90(84.6)	132½	+	2.09	9.98
[illegible]	98	Exch 11pc 1990‡‡	99	.....	11.10	13.31
[illegible]	99	Exch. 12½pc 1990	99	.....	12.57	13.77
[illegible]	91	Treas. 3pc 1990	95xd	+	3.14	11.04
[illegible]	95	Treas 8¼pc 1987-90‡‡	96	.....	8.50	12.75
[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	96¾	.....	8.30	12.94
[illegible]	96	Treas. 10pcCv 1990	97xd	.....	10.31	13.12
[illegible]	87	Exch 2½pc 1990	92	+	2.71	9.75
[illegible]	98½	Treas 11¾pc 1991	98	.....	11.91	12.88
[illegible]	89¾	Funding 5¾pc '87-91‡‡	92xd	.....	6.21	11.28
90¾	86	Treas. 3pc 1991	89	+	3.34	10.11
100	95	Treas 10pc Cv '91 ‡‡	96	+	10.42	12.58
101	97	Exch. 11pc 1991	97xd	+	11.28	12.41
94	91	Treas. 8pc 1991	91¾	.....	8.72	12.39
106	101½	Treas 12¾pc 1992‡‡	101	+	12.55	11.91
99	95¼	Treas 10pc 1992	95	+	10.43	11.99
94	91	Treas. 8pc 1992 ‡‡	91xd	+	8.74	11.98
100	96¼	Treas 10½pc Cv 1992‡‡	97xd	+	10.81	11.86
85⅝	82¼	Treas. 3pc 1992	84	+	3.57	9.92
105	100	Exch. 12¼pc '92	103	+	12.13	11.80
109¼	104¼	Exch 13½pc 1992	104	+	12.95	11.67
94	90	Treas 8¼pc 1993	91	+	9.07	11.51
100	95⅝	Treas 10pc 1993‡‡	96xd	+	[illegible]	11.36
108¼	103	Treas 12½pc 1993‡‡	103	+	[illegible]	11.35
88	84¼	Funding 6pc 1993‡‡	[illegible]	+	[illegible]	10.75
113¼	107	Treas 13¾pc 1993‡‡	108	+	[illegible]	11.24
94	89¾	Treas. 8½pc 1994	90	+	[illegible]	11.26
117	111	Treas 14½pc 1994‡‡	111	+	[illegible]	11.05
113	107	Exch 13½pc 1994	107	+	[illegible]	11.25
100	95	Treas. 10pc Ln. 1994‡‡	96	+	[illegible]	11.10
110¼	104	Exch. 12½pc 1994	104	+	[illegible]	11.22

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99	98	N'wide Anglia 11⅞pc 6.11.89	99	.....	11.85	14.40
100	98	Do. 12⅛pc 4.12.89	99½	+	12.37	14.45
100	99	Do. 12¾pc 2.1.90	99	+	12.88	14.48
100½	98¾	Do. 12⅝pc 29.1.90	99¼	+	12.66	14.49
100	98¾	Do. 12¾pc 26.2.90	99	+	12.79	14.49
100	98	Do. 12⅞pc 19.3.90	99	+	12.96	14.57
100	99⅛	Do. 13⅜pc 23.4.90	99xd	.....	13.45	14.52
100	99	Do. 13pc 14.5.90	99	+	13.12	14.52
100	98¾	Do. 13¾pc 4/6/90	99¾	.....	13.77	14.52
100	99	Do. 14¼pc 2.7.90	99	.....	14.34	14.45
100	99	Do. 13⅝pc 23.7.90	99	.....	13.72	14.44
107	98½	Do. 3⅞pc IL Ln 2021	105½xd	.....	4.29	4.40

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
47	43	Met. Wtr. 3pc 'B'	46xd	.....	6.52	10.62

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	40	Greek 7pc Ass.	40	.....	3.50	18.75
45	40	Do. 6pc 28 Stb. Ass.	40xd	.....	3	17.50
45	40	Do 4pc Mixed Ass.	40xd	.....	2	15.00
80	65	Hung. '24 Ass.	80	.....	2.75	13.57
139	128	Hydro Quebec 15pc 2011	130	+	15.00	13.17
128	118	Iceland 14½pc Ln 2016	121xd	+	14.50	11.79
97¾	91½	Ireland 9¾pc '91-96	92¼xd	+½	9.75	13.40

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41	26¼	Abbott Laboratories	40xd	+	$1.[illegible]	–	2.2
579p	361p	Allegheny & W 1c	465p	−15	[illegible]	–	4.1
18	12	Amax $1	16½xd	+	[illegible]	–	3.1
11	6	Ambase Corp $1	9½xd	−	[illegible]	–	1.3
15	807p	Amdahl 5c	807pxd	−13	[illegible]	–	0.8
37	25½	Amer. Cyanamid $5	33	+1¼	$1.[illegible]	–	2.5
24	14	Amer. Express 60c	22xd	+	[illegible]	–	2.4
16¼	854p	Amer. Medical Int. $1	14	+½	[illegible]	–	3.3
27	15¼	American T. & T. $1	27	+	$1.[illegible]	–	2.8
40	26	Ameritech $1	38	−	h$2.[illegible]	–	4.8
659p	535p	Asiamerica Equity	550p	−8	–	–	–
22	9	BankAmerica $1	22¼xd	+	60c	–	1.7
35	19	Bankers N.V. $1	33xd	+	$2.08	–	3.9
63	38½	Bell Atlantic $1	61	+	$4.08	–	4.2
34	19	BellSouth Corp.	33½	−	$2.52	–	4.8
15	12	Bethlehem Steel $8	12xd	−	$1.00	–	4.9
11	868p	Bio-Rad Labs. A	11	−	–	–	–
20	15¼	Bowater Inc	17	−	$1.12	–	4.1
12	9¼	Brunswick 75c	9xd	.....	44c	–	2.8
42	28	CPC Intnl. 25c	41	+	$1.80	–	2.8
863p	333p	California Engy	863p	+67	–	–	–
36	17¼	Campbell Soup 15c	30xd	−	92c	–	1.9
26	15	Chase Manhattan $12½	26½xd	+	$2.36	–	5.7
25	17	Chem. Banking Corpn	25	+½	$2.72	–	6.8
17½	15	Chrysler $6¼	15¼xd	+½	$1.20	–	4.8

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
35¼	27⅝	Ford Motor $1	51⅞xd	+⅛	$3.00	–	6.0
37¾	24¼	Gen. Elect. 63c	55	+¼	$1.64	–	2.9
579p	460p	♦General Host Corp $1	496p	.....	30c	–	3.8
39⅛	18¾	Gillette $1	29⅛	+⅛	96c	–	2.1
987p	601p	Gt American Bank Bk $1	774p	+7	20c	–	1.6
23⅞	16	Greyhound $1½	21⅛	+⅛	$1.32	–	4.0
14½	847p	Hasbro Inc 50c	13⅞	+⅛	16c	–	0.7
57½	32¼	Honeywell $1½	52¼xd	+⅛	$2.10	–	2.5
22	13¼	Houston Inds. ‖	21	+⅛	$2.96	–	8.9
76	63	IBM Corpn $1¼	67⅞xd	–⅛	$4.84	–	4.5
60p	45p	Image Storage/R.Sys 1c	55p	.....	–	–	–
32⅛	18¾	Ingersoll-Rand $2	29¼xd	+⅛	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	50⅞xd	+½	$1.80	–	5.7
22⅝	13	Lone Star Inds $1	19⅝xd	+⅛	$1.90	–	6.1
27⅞	17½	Louisiana Land 15c	25xd	+⅛	$1.00	–	2.5
20⅞	11⅛	Lowe's 50c	19⅞	+⅛	48c	–	1.6
28	15	Manuf. Hanover $1	27⅛	+	$3.28	–	7.7
22⅞	13	Merrill Lynch $1	19	+⅛	$1.00	–	3.3
2439p	1910p	♦Molex Inc.	2358p	+22	3.2c	–	–
27	18⅛	Morgan (JP) $2½	27xd	–⅛	$1.66	–	3.8
107⅞	96	Morris (Philip)	103	+1	$4.50	–	2.8
54½	36⅛	NYNEX $1	50⅛	+⅛	$4.36	–	5.5
44p	20p	N'wide Legal Serv. ‖	29p	.....	–	–	–
24⅞	18¼	PHH Corp. ‖	23⅛	+⅛	$1.12	–	3.1
259p	179p	♦Pacific Agr. ‖	212p	.....	–	–	–
27¼	19	Pacificorp $3¼	25⅝xd	+⅛	$2.76	–	6.5
30¼	16⅞	Pacific Telesis 10c	28¼	+⅛	$1.88	–	4.2
22⅞	13¼	Pall Corp. 25c	21⅛	+⅛	48c	–	1.4
55⅛	39	Pennzoil 83 1/3c	50xd	+	$3.00	–	3.8
42¼	28⅝	Quaker Oats $5	39	+	$1.20	–	1.9
32⅛	23½	Rep NY Corpn $5	29⅛xd	–⅛	$1.28	–	2.7
16	11	Rockwell Intl. $1	14xd	+⅛	78c	–	5.4
29½	22	Sears, Roebuck 75c	26⅛	+⅛	$2.00	–	4.8
35⅝	21⅝	Southwestern Bell $1	35½	+⅛	$2.60	–	4.6
27⅞	17	Sun Co. Inc. $1	24xd	+	$1.80	–	4.6
31¼	22	TRW Inc. 62½c	29⅛	+½	$1.72	–	3.7
24⅞	14⅝	TW Services $5	22⅛	+⅛	10c	–	0.3
39	26⅛	Tenneco $5	37½	+⅛	$3.04	–	5.1
35	28	Texaco $6.25	31⅝xd	+⅛	$3.00	–	6.0
28	21⅝	Texas Instr. $1	24xd	+	72c	–	1.9
117	58⅝	Time Inc. $1	86⅛	+¼	$1.00	–	0.7
19⅞	15	TRINOVA Corp	17⅛	+⅛	s68c	–	2.4
24⅞	16	USX $1	21xd	+1	$1.40	–	4.1
260p	126p	♦Unilab	248p	.....	–	–	–
36⅝	22⅛	Utd. Technologies	34⅝xd	+⅛	$1.60	–	2.9
158p	128p	♦Utilitech Inc.	146p	.....	–	–	–
46½	31½	US West ‖	44⅛	–⅛	$3.76	–	5.4
40½	22⅞	Waste Management $1	40xd	+	60c	–	0.9
20½	13½	Whirlpool $1	18	+⅛	$1.10	–	5.8
24⅛	16	Whitman Corp	19	–⅛	$1.02	–	3.3
46⅝	28⅛	♦Woolworth $3½	41	+⅛	$1.88	–	2.9

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
178p	129p	♦ABM Gold Corp ‖	165p	–6	–	–	–
26p	4½p	♦Abbot Energy Corp	24½p	.....	–	–	–
16½	902p	♦Amer. Barrick Res.	15¼	+⅛	–	–	–
28p	10½p	♦Armeno	13½p	+⅛	–	–	–
53½p	8½p	♦Augmitto Expln.	12p	+1½	–	–	–
18⅞	12⅞	Bk. Montreal ‖	16⅝	+⅛	$2.12	–	6.9
10⅛	655p	Bk. Nova Scot. ‖	916pxd	+22	92c	–	5.4
821p	599p	♦BC Gas $1	784p	+5	60c	–	4.2
22⅞	17	BCE ‖	21⅞	+⅛	$2.44	–	6.1
17	12⅛	♦Brascan ‖	15½	+⅛	88c	–	5.1
228p	120p	♦Breakwater Res.	121p	–2	10c	–	4.5
17¼	11⅛	Can. Imp Bank ‖	15⅞	+⅛	$1.24	–	4.2
598p	374p	Central Capital "A" ‖	527p	.....	–	–	–

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

*17½	5½	Staks Hldgs 5p..... y	7½	–½	–	–	13.0
*3½	1½	Swanyard Studios 1p y	1½	+½	–	–	8.4
11	5½	System Connections 2½p y	5½	......	–	–	7.2
50	37	Tavern Leis. 20p.... y	42	......	–	–	–
115	28	Tomorrows Leisure 20p y	98	......	–	–	48.8
19	11	Tullow Oil 10p...... y	17	–½	–	–	–
[illegible]	75	UPL Group 10p...... y	75	......	2.75	1.9 4.9	14.2
[illegible]	135	Unit Group.......... y	145	......	5.0	5.3 4.6	8.2
[illegible]	66	Video Magic Leis. 1p y	93	......	W2.0	0.7 2.9	74.6
[illegible]	5	Vista Ents 5p....... y	0¼	+¼	–	–	–
[illegible]	32	Vizcaya Hldgs 5p.. y	32	......	–	–	–
46½	23	Whitegate Leisure 20p. y	41	......	–	–	–
32½	10	Do. Wrrnts......... y	28	......	–	–	–
10½	5	Wilton Group 1p... y	6¾	–½	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ● Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	96	......
Craig & Rose £1.. y	830	......
Finlay Pkg. 5p.... y	80xd	–3
Holt (Jos) 25p..... y	1353	+5
Arnotts..................	428	......
Carrol (P.J.)....... y	152	+2
Hall (R. & H.)........	180	......
Helton Hldgs........ y	92	......

IRISH

Cap. 8½% Ln. 1991	£97¼	......
9pc Cap Ln. 1996..	£98½	+¼
Fin. 13% 97/02..	£118	......
For Irish Ropes see IRG		
IRG.....................	210xd	......
United Drug.........	140	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons............	38
Amstrad..................	11
BAT.......................	80
BOC Grp..................	42
BSR.......................	6½
BTR.......................	32
Barclays..................	42
Blue Circle...............	24
Boots......................	25
Bowaters..................	44
Brit Aerospace...........	52
British Steel.............	7½
Brit. Telecom............	21
Burton Ord...............	18
Cadburys..................	46
Charter Cons.............	48
Comm Union.............	32
Courtaulds................	30
FKI	14
FNFC......................	22
Gen Accident............	85
GEC........................	20
Glaxo......................	110
Grand Met................	48
GUS 'A'	90
Guardian..................	18
GKN.......................	34
Hanson....................	16
Hawker Sidd.............	68
ICI.........................	100
Jaguar.....................	28
Ladbroke..................	22
Legal & Gen..............	26
Lex Service...............	33
Lloyds Bank..............	29
Lucas Inds................	58
Marks & Spencer........	15
Midland Bk...............	30
Morgan Grenfell.........	24
Nat West Bk.............	25
P & O Dfd................	55
Plessey....................	22
Polly Peck................	26
Racal Elect...............	20
RHM	42
Rank Org Ord............	80
Reed Intnl................	34
STC........................	32
Sears......................	18
Smithkline Bchm. A.....	50
TI..........................	38
TSB........................	18
Tesco......................	14
Thorn EMI................	58
Trust Houses.............	24
T&N.......................	18
Unilever..................	46
Vickers....................	18
Wellcome.................	42

Property	
Brit Land.................	32
Land Securities..........	52
MEPC.....................	50
Randsworth..............	28

Oils	
Brit Petroleum...........	21
Burmah Oil...............	50
Calor......................	35
Charterhall...............	2½
Premier....................	9
Shell.......................	32
Ultramar..................	26

Mines	
Cons Gold................	150
Lonrho....................	30
RTZ.......................	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

THE IMPACT of intervention on the foreign exchanges continued to fade yesterday, and the dollar advanced as underlying bullish sentiment outweighed the effects of further dollar sales by central banks.

According to the Bank of Japan, the Group of Seven is ready to increase joint intervention to drive the dollar down, but this has not been obvious over the last few days.

The Japanese central bank appeared to increase its propaganda war against the dollar yesterday, by intimating it was poised to raise the amount of daily intervention. It was suggested that dollar sales so far have absorbed most short positions and that this has set up an opportunity to create greater impact if the market continues to buy the US currency.

Nevertheless, the dollar advanced against all major currencies yesterday and was notably firm against the yen, trading above Y140 throughout the day in Europe. This was after repeated Bank of Japan intervention in Tokyo had failed to prevent the US currency rising.

The concern of the Japanese authorities about the present level of the dollar was illustrated by Bank of Japan dollar sales in Sydney and in Singapore. In total the Bank of Japan probably sold well over $1bn, but with the dollar holding firm the market was looking for a possible advance to Y141.50 in the next few days.

The strength of the D-Mark is becoming a problem for Japan, mainly on interest rate considerations. Short term rates softened slightly in Tokyo yesterday, at the same time as speculation increased that the West German Bundesbank is to raise its official interest rates.

In Europe the dollar rose above a resistance level of DM1.8840, to close at DM1.8860, compared with DM1.8750 on Monday. It also advanced to Y141.20 from T139.45; to SFr1.6350 from SFr1.6245; and to FFr6.4000 from FFr6.3575.

Sterling also suffered from fear about higher German interest rates, falling below DM3.0300 yesterday.

A fall of $142m in the underlying level of September UK official reserves was mnch less than expected, but did not take account of Bank of England intervention on Thursday and Friday last week. The figure was lower than the August fall of $405m and well below market expectations of around $1bn, but the scale of intervention may have been disguised hy operations in the forward market.

Sterling fell 1.25 cents to $1.6055. The pound also weakened to DM3.0275 from DM3.0325; to SFr2.6250 from SFr2.6275; and to FFr10.2750 from FFr10.2875, but rose to Y226.75 from Y225.75. Sterling's index fell 0.2 to 91.2.

Average values for the major currencies against the dollar in September were: sterling 1.5708; D-Mark 1.9513; yen 145.09; Swiss franc 168.73; and French franc 6.5889.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3479	+2.10	+1.14	±1.5424
Danish Krone	7.85212	8.04019	+2.40	+1.44	±1.6429
German D-Mark	2.05853	2.06306	+0.22	-0.74	±1.1019
French Franc	6.90403	7.00019	+1.39	+0.43	±1.3719
Dutch Guilder	2.31943	2.32977	+0.45	-0.51	±1.5019
Irish Punt	0.768411	0.774090	+0.74	-0.22	±1.6689
Italian Lira	1483.58	1510.03	+1.78	+1.41	±4.0815
Spanish Peseta	133.804	130.978	-2.11	-1.90	

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.3	Latest	Previous Close
£ Spot	1.6040-1.6050	1.6135-1.6145
1 month	0.68-0.67pm	0.75-0.74pm
3 months	2.03-2.00pm	2.11-2.09pm
12 months	7.38-7.28pm	7.50-7.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

POUND SPOT- FORWARD AGAINST THE POUND

Oct.3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6040 - 1.6155	1.6050 - 1.6060	0.73-0.71cpm			
Canada	1.8845 - 1.9030	1.8870 - 1.8880	0.37-0.26cpm			
Netherlands	3.41½ - 3.43	3.41½ - 3.42½	2-1¾c pm			
Belgium	63.20 - 63.85	63.50 - 63.40	33-31c pm			
Denmark	11.76¼ - 11.84¼	11.76¾ - 11.77¾	4¼-3¼ore pm			

Commercial rates taken towards the end of London trading. Belgian rate is for convertible francs. Financial franc 63.60-63.70. Six-month forward dollar 4.11-4.06cpm 12 months 7.50-7.40cpm

CURRENCY RATES

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and the ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.60-39.70.

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 9¼-9 per cent; three years 9¼-9 per cent; four years 9¼-9 per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Oct.3	£	$
S. Af (Fn)	6.2400 - 6.3625	3.8685 - 3.9445
Taiwan	41.15 - 41.25	25.50 - 25.55
U.A.E.	5.9160 - 5.9200	3.6720 - 3.6730

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.
C $	0.530	0.851	1.605	120.2	5.448	[illegible]
B Fr.	1.574	2.527	4.765	356.9	16.18	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

U.S. TREASURY BILLS (IMM)

THREE-MONTH EURODOLLAR (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

PHILADELPHIA SE £/$ OPTIONS

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

7-10 YEAR 9% NOTIONAL GILT

US TREASURY BONDS 8%

6% NOTIONAL GERMAN GOVT. BUND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH EUROMARK

FT-SE 100 INDEX

POUND-$ (FOREIGN EXCHANGE)

DM-STERLING

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 49,397

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Tone remains firm

FRANKFURT INTEREST rates continued to rise in nervous trading, ahead of tomorrow's Bundesbank council meeting. Call money rose to 7.40 from 7.20 per cent, as market opinion swung towards a probable rise in official interest rates.

An increase of ½ per cent in the Bundesbank's official rates has been discounted for several days, but current market rates are pointing towards a probable rise of 1 per cent in the discount and Lombard rates, to 6 per cent and 8 per cent respectively.

UK clearing bank base lending rate 14 per cent from May 24

Today's result of this week's Bundesbank securities repurchasa agreement teuder is likely to reflect the recent sharp rise in market rates. Last week's pact was set at rates of 7.00 to 7,20 per cent. A two-tranche agreement has been offered for 28 and 59 days, at variable bid rates. Two earlier facilities totalling DM26.8bn expire today.

If German rates are increased, several other European countries are likely to be forced into similar moves. This includes Switzerland where the discount rate is 5.50 per cent and the floating discount rate was set at 8.50 per cent yesterday, but dealers in Zurich pointed out that the Bundesbank has shown reluctance in the past to move rates at times of strong market pressure.

In London interest rates were a little firmer in general, and continued to discount a rise of ½ per cent to 14½ per cent in UK bank base rates. Three-month interbank was quoted at 14⅝-14½ per cent, compared with 14$\frac{9}{16}$-14$\frac{7}{16}$ per cent.

An adequate supply of day-to-day credit kept overnight money below 14 per cent. The Bank of England initially forecast a flat credit position, but revised this to a shortage of around £50m in the afternoon. There was no intervention in the money market by the authorities during the day.

Bills maturing in official hands and repayment of late assistance drained £169m. This was roughly balanced by Exchequer transactions adding £35m to liquidity, a fall in the note circulation of £80m, and bank balances above target of £60m.

Volume in short sterling continued to fall on the Liffe market from last week's high levels. The contract held in a fairly narrow range, with the December month rising to 85.65 from 85.63, but still discounting a rise in base rates before delivery.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.3) 3 months US dollars — 6 months US Dollars

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Frankfurt, Paris, Zurich, Amsterdam, Tokyo, Milan, Brussels, Dublin

LONDON MONEY RATES

Treasury Bills (sell): one-month 13⅜ per cent; three months 13⅜ per cent; Bank Bills (sell): one-month 13⅜ per cent; three months 13⅜ per cent; Treasury Bills: Average tender rate of discount 13.5715 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 29, 1989. Agreed rates for period October 25 to November 24, 1989, Scheme I: 15.27 p.c. Reference rate for period Sept 1, 1989 to Sept 29, 1989, Scheme IV & V: 15.27 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from October 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10½ per cent from May 25, 1989. Deposits withdrawn for cash 8 per cent.

BASE LENDING RATES

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Dec. 2343/2353 +10	Dec. 2754/2766 +18

Prices taken at 5pm and change is from previous close at 9pm.

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The Financial Times proposes to publish this survey on

Friday 24 November 1989

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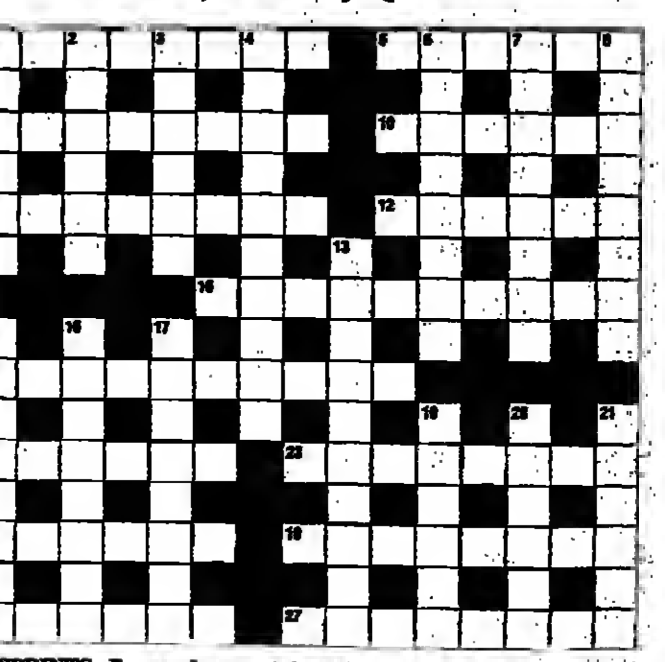
No.7,054 Set by QUARK



MISPRINTS: Every clue contains a misprint of one letter. The misprinted letter always occurs in the definition part.

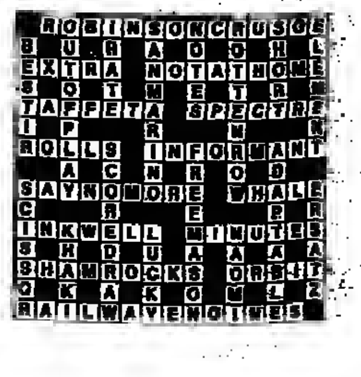
ACROSS

1 Dunce has confidence about navy's symbolic letter (8)
5 Keep stall at London district, in comfort (2,4)
9 Even lard can be converted into a kind of glue (8)
10 Plead in society's lawns (6)
11 Once a pitman, he's responsible for the tapers (8)
12 English king's companion (old) for variety of duel (6)
14 Not affording massage, I improve US in a way (10)
18 Discussing perms with the exception of winning (10)
22 Musical sees set out after the month (6)
23 Tell at lower price it's beneath contract (8)
24 Spare a copper – mother's losing head after receiving verse (6)
25 Cracked fen fault is healthy (8)
26 Enjoy favour (6)
27 Slower people? They gather in bunches (8)

DOWN

1 Novice taken in by one who dislikes. Ripe for hanging? (6)
2 Make merry about one to bet on (6)
3 Expect I'm having to put din under control (6)
4 It's a risk to value more highly people with taste initially (10)
6 Particular without beginning to be omen to choice (8)
7 Stirred – one goat and rat in conflict (8)
8 She gives message: "Main body with employment's round the east" (8)
13 Vapid flame in gun, perhaps (10)
15 One who sets Fred with sailor and you! (8)
16 It's dangerous at "burning point" (8)
17 Trust man in trouble to provide hits (8)
19 Risiug revolutiouary imbibed drink – a faller (6)
20 Was in entrance? (6)
21 Roman poet without a single grave (6)

Solution to Puzzle No.7,053



WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE

CANADA

TORONTO
4pm prices October 3

MONTREAL
4pm prices October 3

Total Sales 7,119,600 shares.

INDICES

NEW YORK

DOW JONES	Oct 3	Oct 2	Sep 29	Sep 28	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2754.56	2713.72	2692.82	2694.91	2754.56 (3/10)	2144.64 (3/1)	2754.56 (3/10/89)	41.22 (2/7/32)
Home Bonds	92.45	92.36	92.43	92.45	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1459.28	1455.19	1449.86	1438.12	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.56	216.49	216.17	216.55	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2765.96 (2724.16) Low 2708.97 (2677.05)

STANDARD AND POOR'S	Oct 3	Oct 2	Sep 29	Sep 28	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	354.71	350.87	349.15	348.60	354.71 (3/10)	275.31 (3/1)	354.71 (3/10/89)	4.40 (1/6/32)
Industrials	404.47	400.05	397.95	397.81	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	35.00	34.45	34.20	33.85	35.00 (3/10)	24.30 (3/1)	35.00 (3/10/89)	8.64 (1/10/74)
NYSE Composite	196.84	194.90	193.97	193.55	196.84 (3/10)	154.98 (3/1)	196.84 (3/10/89)	4.46 (25/4/42)
Amex Mkt. Value	393.02	389.66	388.76	385.75	393.02 (3/10)	305.24 (3/1)	393.02 (3/10/89)	29.31 (9/12/72)
NASDAQ Composite	477.28	475.14	472.92	471.14	477.28 (3/10)	378.56 (3/1)	477.28 (3/10/89)	54.87 (31/10/72)

	Sep 29	Sep 22	Sep 15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.75	3.76	3.70

	Sep 27	Sep 20	Sep 13	year ago (approx.)
S & P Industrial div. yield	2.90	2.87	2.89	3.19
S & P Indl. P/E ratio	14.42	14.49	14.46	13.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
USX	5,268,400	36¼	+ 1⅝
IBM	2,969,800	106	− 2⅝
General Electric	2,361,700	58½	+ ¾
American Exp	2,010,900	38¾	+ 2¼
Har Bra Jo	1,955,800	9⅞	− ¼
AT&T	1,752,400	45	+ ¼
Bristol Myers	1,743,200	53½	+ 1
Amr corp	1,593,400	83¾	− 1⅝
McDonald's	1,586,200	30½	+ ⅝
SmithKline	1,420,400	90⅝	+ ⅝

TRADING ACTIVITY

† Volume Millions	Oct 3	Oct 2	Sep 29
New York	182.580	124.994	155.300
Amex	14.235	12.989	14.116
NASDAQ	(u)	108.949	136.376
Issues Traded	1,974	1955	1955
Rises	995	853	892
Falls	511	593	560
Unchanged	468	509	503
New Highs	151	88	101
New Lows	23	11	24

CANADA

TORONTO	Oct 3	Oct 2	Sep 29	Sep 28	1989 HIGH	1989 LOW
Metals & Minerals	3797.8	3718.5	3689.4	3711.3	3919.2 (1/9)	3207.5 (3/1)
Composite	4011.9	3972.8	3942.9	3941.1	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2047.05	2022.7	2004.82	2002.12	2053.80 (1/9)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 3	Oct. 2	Sep. 29	Sep. 28	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1772.1	1743.4	1735.7	1720.2	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	863.3	845.8	841.8	831.7	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	484.78	478.42	473.09	474.60	484.78 (3/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6619.55	6650.40	6738.08	6762.92	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	328.52	328.13	329.54	329.36	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	684.7	695.4	697.0	682.7	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	542.9	546.8	557.3	564.5	557.3 (29/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	124.9	123.7	125.5	126.4	126.6 (25/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	672.13	664.72	662.24	667.32	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2008.1	1986.0	1976.5	1993.6	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1602.40	1577.80	1574.37	1585.75	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2786.65	2746.70	2758.25	2755.32	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1773.50	1750.01	1759.12	1766.29	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	697.43	701.28	707.67	709.12	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35366.37	35622.97	35636.76	35689.98	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2688.80	2703.58	2702.22	2696.18	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	266.7	263.3	265.2	265.8	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	205.1	202.5	203.9	204.4	219.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	684.13	685.97	684.13	695.50	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1114.74	1126.48	1145.90	1147.94	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1388.32	1375.25	1375.18	1371.40	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1622.0‡	1647.0	1664.0	1673.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2723.0‡	2729.0	2741.0	2750.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	(c)	942.41	943.44	931.95	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	324.87	325.80	325.50	326.38	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4337.3	4336.3	4341.2	4302.6	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	790.5	786.6	795.3	799.0	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10043.96	9911.15	10364.84	(c)	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	668.82	681.53	689.51	691.73	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	549.1	549.4	546.8	551.2 (3/8)	487.6 (13/6)

**Saturday Sept. 30: Taiwan Weighted price: 10180.84

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday October 3 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	15.8m	1,190	-20	Yoshitomi Phrm	6.9m	2,160	+219
IHI	11.9m	1,150	+20	Kuraray	6.4m	1,710	+40
MHI	8.0m	1,130	-10	ANA	6.3m	2,100	+40
Haseko	8.0m	1,700	+60	Nippon Steel	6.2m	751	-6
Tomen	7.1m	835	+19	Toda Constr	5.9m	1,800	+60

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AMEX COMPOSITE PRICES

4pm prices October 3

4pm prices October 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E Ratio	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Reliable Computers
Renowned Monitors

Computers, OA &
Telecommunications

SAMSUNG
Electronics

Continued on Page 49

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
[illegible]										
60	63¾	Xerox	3	4.5	18	1902	65¼	35¾	65	+ ⅛
47⅝	43⅝	Xerox pl				1020	40	45⅛	40¼	
40¾	44½	Xerox pf4.13		6.0		100	47	46¾	46⅜	− ⅞
44¼	27	XTRA	.72	2.8	8	398	27¼	27	27⅛	+ ⅛
35	28¾	XTRA pf1.94		8.1		658	24	d23⅜	23¾	
4⅛	2	Zapata				307	2⅛	2¾	2½	− ⅛
22⅛	14	ZenithE				9378	17½	18¾	18⅛	−1⅛
10⅝	6¼	Zenitnc	1.20	15.		35	8½	8⅛	8⅛	
2½	1⅛	viZenLb				7808	1⅛	1⅞	1½	+ ⅛
21⅛	18	ZeroNtl	.84	4.4	6	4	19¼	18¼	18¼	− ¼
10½	12⅛	Zero s	.40	2.3	17	74	17⅞	17¼	17⅛	
44¼	25¾	Zurnin	.88	1.8	20	181	41⅞	41¼	41⅞	+ ⅛
19⅞	18	Zweig	1.12e	9.3		279	e18¼	18	18	− ⅛
10⅝	8¼	ZweigTl	.96	10.		2274	9⅝	9⅛	9⅛	+ ¼

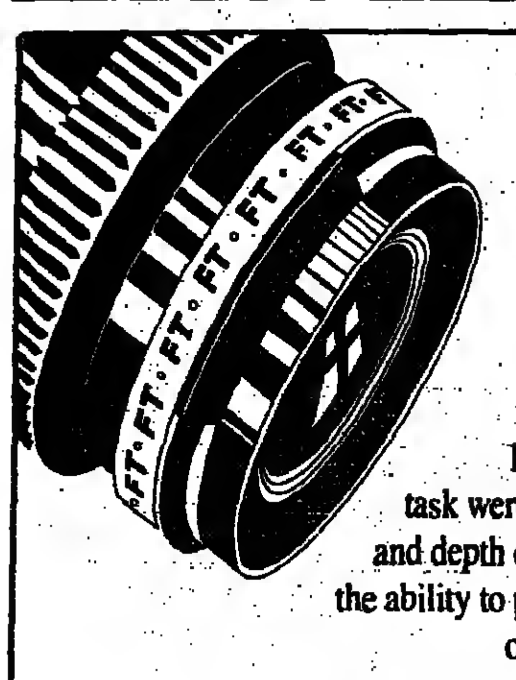
Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 3

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
-X-Y-Z-						
XL Dta s		28 436	25¾	25¼	25⅜	+ ⅜
XOMA		1508	21¼	20	20½	+1
Xicor		16 1600	5¼	4⅞	4⅞	− ⅜
YanEnS	.38e	294	21¼	21¼	21¼	− ¼
YelowF	.76	10 634	28¾	28	28⅜	
YorkRs		459	6⅞	6⅞	6⅞	− ⅛
ZionUt	1.44	53	31¾	31	31	− ¾



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BRUSSELS

FINANCIAL TIMES

AMERICA

Strong dollar helps propel Dow to an all-time peak

Wall Street

THE COMBINATION of a strong dollar, a rally in bonds and the rebound on Monday in the stock market triggered significant institutional buying of equities yesterday which boosted the Dow Jones Industrial Average to a record closing high, *writes Janet Bush in New York.*

The Dow rose steadily throughout the session to end 40.84 points higher at 2,754.56, compared with the previous all-time closing high on September 1 of 2,752.09. Volume was active, with 182.5m shares traded compared with Monday's total of only 127m.

The background to yesterday's continued buying included another strong performance by the dollar and modest gains in the bond market. The US currency strengthened considerably in the Far East overnight and proved resilient in the face of more concerted central bank intervention.

In New York, the US currency was given an additional boost by reports that General Manuel Noriega had been taken into custody in a coup in Panama.

The bond market was helped by the strength of the dollar and by reports of a remark by Mr Michael Boskin, chairman of the Council of Economic Advisors, that interest rates were headed downwards.

The policy-making Federal Open Market Committee met yesterday. The Fed is seen as having little domestic economic justification for lowering interest rates at this stage. The US purchasing managers' report for September showed growth slowing less markedly than in August and yesterday there were figures showing a hefty 2.9 per cent rise in new factory orders in August.

Another factor in the equities rally was the gain of 20.89 points achieved on Monday – a better performance than many had anticipated at the beginning of a new quarter.

In spite of the substantial gain yesterday, however, there are some worrying signs about the long-term health of this week's advance. One of the most obvious is the disappointing performance of IBM, a benchmark stock, which fell to its lowest level for a year.

One of several companies which have warned that third quarter profits will be disappointing, IBM fell $2⅛ to $105⅝. Equity analysts noted that buying of blue chips was concentrated in those issues which are not expected to report disappointing earnings for the third quarter.

IBM's performance was in marked contrast to other blue chips. *Philip Morris*, for example, piled on $5⅛ to $171⅞.

Among featured individual stocks, Boeing rose $3¼ to $59⅞, apparently on hopes that the machinists' union would vote to avert a strike due to start at midnight last night.

Harley-Davidson surged $3⅝ to $42⅞ after investor Mr Malcolm Glazer said that he and members of his family might seek control of the company.

On the over-the-counter market, McCaw Cellular A shares rose $1 to $40⅞ after the company agreed to buy Metromedia's interest in the New York city cellular franchise and to sell cellular interests in three south-eastern states to Contel Cellular.

LIN Broadcasting, which has a right of first refusal on the Metromedia stake, fell $3⅛ to $108⅞ and Contel's A shares added $⅞ to $26.

Canada

ACTIVE trading saw Toronto share prices make strong gains.

The composite index closed up 39.2 at 4,011.9 on volume of 34m shares, compared with Monday's volume of 22m shares.

Advances outnumbered declines by 413 to 292 and trading value was C$409m compared with C$347m on Monday.

Polymer International was up C$2⅜ at C$11⅝. Intertape Systems plans a C$12-a-share offer for the 27 per cent of Polymer it does not already own.

EUROPE

Leaders lose patience with the interest rate fixation

LEADING Continental bourses decided that enough was enough yesterday and Frankfurt, Paris and Amsterdam sailed into strong rallies, *writes Our Markets Staff.*

FRANKFURT progressed into a vigorous technical correction, the FAZ index rising 7.41, or 1.1 per cent to 672.13 at mid-session, and the DAX closing the day up 24.60, or 1.6 per cent at 1,602.40. Volume recovered from DM3.1bn to DM4.6bn.

Some brokers said that the market had resigned itself to an increase in key interest rates when the Bundesbank meets on Thursday, splitting itself into three camps coinciding with expected rises of half a percentage point, three-quarters, or a full point.

Others argued that the rate still need not go up – just yet; that the Dutch would like a small increase, but not now; and that the British government would like a quiet time between party conferences.

Closer to home, IG Metall, the West German metalworkers union, starts its wage negotiations in less than three weeks' time. The Bundesbank might find a later increase more helpful in the battle against domestic inflation.

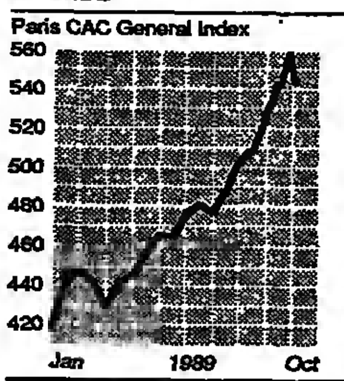
Meanwhile, another supposedly market-sensitive issue had a good initial reception as Daimler, up DM21.50 to DM771.50 at the close, subsequently priced its rights issue at DM460 a share to raise DM1.95bn. Dealers had expected a less attractive price and, after hours, the shares put on a further DM6 to DM777.50.

Elsewhere, there was action in engineering, where Hoesch, fourth in the volume charts with DM213m, put on DM15.20 (5.8 per cent) to DM278.20; and in construction, where Strabag Bau, the strongest sector performer this year, gained DM42 (8.4 per cent) to DM542.

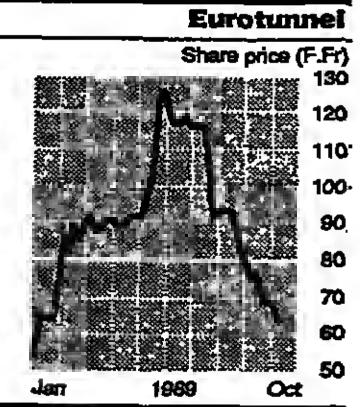
PARIS bounced back from Monday's steep fall, helped by Wall Street's buoyancy and by activity in the insurance and building sectors. The OMF 50 index rose 5.73, or 1 per cent, to 526.53, while the opening CAC General index reflected Monday's losses with a fall of 3.9 to 542.9. Volume was estimated at a modest FFr2.5bn.

The recovery came in spite of a further serious setback for Eurotunnel, which plummeted FFr5.50, or 8 per cent, to FFr63.50 on French disappointment over the rise in the estimated cost of the Channel Tunnel to £7bn.

France



Eurotunnel



Navigation Mixte resumed trading following its insurance link-up with Allianz of West Germany, and the price climbed FFr26 to FFr1,390 in very high turnover of 608,000 shares. "Allianz is really paying to get a foothold in France," said one analyst.

Some other insurance-linked stocks rose strongly, as investors re-rated them in the light of the Allianz deal. Pechelbronn, a holding company with insurance interests, rose FFr128 to FFr1,738, while Midi gained FFr71 to FFr1,530. However, Uronot Assurances, which resumed trading after the Axa Midi group's offer of a share swap for the minority interests 10 days ago, plunged FFr51 to FFr569 as speculative buyers sold out.

The other big news came from Bouygues, the construction conglomerate, which announced it had bought 50.3 per cent of Grands Moulins de Paris, the country's largest grain milling group. Bouygues rose FFr19 to FFr728, with analysts pointing to the milling group's property holdings.

AMSTERDAM enjoyed a steadier dollar and the strength on Wall Street. The CBS tendency index rose 2.5 to 196.1 and volume reached Fl 805m from Monday's low Fl 615m.

Insurance stocks performed well, helped by the German/French link-up and by a plan for a covered warrants issue by Aegon, up Fl 2 at Fl 113.30. Amev added Fl 1 to Fl 56.20 and NatNed 90 cents to Fl 71.

Against the trend, NMB lost Fl 2 to Fl 266 on continuing fears over the state's planned sale of half its shares in the merged NMB-Postbank group.

Share turnover fell to Fl 18.9bn in September from Fl 18.8bn in August, according to Amsterdam Stock Exchange figures. But volume in the first nine months was Fl 145bn, well up on the Fl 89bn in the same period of 1988.

ZURICH reacted positively to marginally lower short-term interest rates, and the Crédit Suisse index firmed 4.1 to 640.6 in moderate trading.

COPENHAGEN shrugged off its recent lethargy as domestic investors' enthusiasm revived.

Mr David Longmuir of Kleinwort Benson said that there were a number of reasons. These included the popularity of a public issue by the savings bank, SDS, in the insurance sector, good first-half results from Topdanmark on Monday and expectations of good results from Hafnia Holding, due after yesterday's close; and forecasts of economic growth published on Monday.

Another buoyant insurer was Baltica, which gained DKr20 to DKr555. The company is running a roadshow in Denmark, after visiting the UK last week.

STOCKHOLM finished a quiet session unchanged, with the Affärsvärlden General index steady at 1,282.2. Saab was again the most active stock, with SKr20m worth of shares traded in a bourse total of SKr235m. Its restricted A shares rose SKr1 to SKr256.

BRUSSELS suffered from fears of higher interest rates, as share prices slipped in dull trading. One exception was steel maker Cockerill, the day's most active stock with 445,000 shares exchanged, which rose SKr8 to SKr263. The cash market index lost 30.85 to 6,619.55.

VIENNA was pushed to another record by foreign demand, as the bourse index added 6.07, or 1.2 per cent, to 509.36.

SOUTH AFRICA

GOLD shares continued to ease in quiet, nervous trading as the bullion price remained little changed. Freegold lost 50 cents to R34, Deelkraal fell 25 cents to R13 and Vaal Reefs slipped R2.50 to R329.50. Other sectors also retreated.

ASIA PACIFIC

Nikkei loses ground against regional trend

Tokyo

A SHIFT away from speculative climbers and an urge to take profits early in the business year triggered a bout of selling that left share prices substantially lower yesterday, *writes Michiyo Nakamoto in Tokyo.*

Equities also suffered from index-linked selling and the unwinding of long cash positions. The Nikkei average fell 256.60 to 35,366.37 after moving between a day's high of 35,603.40 and a low of 35,293.48. Declines outnumbered advances by 535 to 438 while 159 issues were unchanged.

Turnover rose to 800m shares from the 769m traded on Monday. The Topix index of all listed shares posted a loss of 14.78 and closed at 2,688.8. In London, the ISE/Nikkei 50 index gained 2.06 to 2,048.66.

October is a particularly rocky month for the market, said Mr Masami Okuma at UBS Phillips and Drew. After the first week of the new business year, profit-taking is usually the name of the game; yesterday's downturn seemed to indicate that investors had decided to take profits a day or two earlier, this time.

Interest ebbed away from issues which had risen on restructuring and takeover speculation, leaving them substantially lower.

Disenchantment spread as Shuwa, the real estate company, sold its shares in Life Stores, the supermarket chain. Shuwa had owned 6.5 per cent in Life Stores and had emerged as a leading shareholder in other supermarket chains. Stories that Shuwa, armed with these shareholdings, would carry out a major restructuring of the retail/distribution industry had prompted active buying in the sector.

Speculators were left with the alternative theory that Life Stores helped Shuwa to a capital profit with the announcement, late last month, of a 50 per cent scrip issue. A scrip issue announcement usually triggers a rise in the share price in the Tokyo market.

Yesterday, Life Stores closed unchanged at Y3,490 although this was Y350 below its opening price of Y3,840. Isetan, a department store rumoured to be a takeover target, lost Y200 to Y4,750. On the other hand, speculation that Shuwa would use the cash generated from the Life Stores disposal in buying other retailers saw Nagasakiya gain Y110 to Y4,900.

Earnings prospects continued to guide investor activity, with Yoshitomi Pharmaceutical up Y210 to Y2,160 in active trading on the strength of sales of its new drugs.

On the other hand, Toshiba, the integrated electrical manufacturer, dropped Y20 to Y1,190 *after a leading securities firm* revised their optimistic earnings forecast downwards.

Reports on rising land prices in Osaka sustained a whirl of activity in the Osaka market around companies with land holdings. The OSE average gained 38.21 to 36,362.98. Volume rose to 85m shares from 79m on Monday.

Roundup

ACTIVITY picked up sharply after Monday's dull performance, and Australia led a round of gains.

AUSTRALIA climbed by 1.6 per cent to its highest level in a month, buoyed by Wall Street's overnight surge and by US buying at the start of the quarter.

The All Ordinaries index gained 28.7 to 1,772.1, with turnover rising to 92m shares worth A$227m after Monday's partial holiday in Sydney. A weaker tone to the Australian dollar and a strong futures *market also helped sentiment.*

Sharp gains included a 60-cent rise to A$12.35 for CRA and a 55-cent advance to A$16.40 for News Corp.

NEW ZEALAND recovered ground from a sharp early fall which had followed news that the Reserve Bank of New Zealand had put DFC, the investment bank, into statutory liquidation. DFC, which is not listed, is 80 per cent owned by National Provident Fund, New *Zealand's largest pension fund.*

Shares turned up later in line with a rising Australian market and the Barclays index ended 1 higher at 2,272.54.

HONG KONG resumed its rally after Monday's pause, with UK institutional buying helping to send the Hang Seng index up 39.95 to 2,786.65. Volume recovered momentum, too, climbing to HK$1.07bn from Monday's HK$747m.

The climb was led by property shares, with the sub-index jumping 2 per cent. Vigers Hong Kong, the chartered surveyors, said in its third-quarter property review that the local market was showing signs of recovery in some sectors after the downturn following the June 4 bloodshed in China.

Big investment projects, hotels and shops were the slowest to recover, said the review, and overseas property investors, especially Japanese, had not demonstrated great enthusiasm about returning to Hong Kong.

SINGAPORE was lifted by the overnight rise on Wall Street and managed to hold up in spite of the sharp fall in Tokyo. The Straits Times industrial index rose 13.07 to 1,388.32, but trading volume remained subdued at 66m shares, up slightly from Monday's 42m.

TAIWAN rebounded from five days of decline that caused an 8 per cent fall in the weighted index. The index rose 132.81, regaining the 10,000 level to 10,043.96.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 3 1989						MONDAY OCTOBER 2 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	159.02	+1.9	146.85	135.86	+1.8	4.86	156.01	142.96	133.44	159.02	128.28	136.89
Austria (19)	160.29	−0.4	148.02	156.62	+0.0	1.56	160.85	147.39	156.69	182.96	92.84	88.86
Belgium (63)	141.28	−1.0	130.46	138.14	−0.5	4.00	142.65	130.71	138.78	144.47	125.58	121.82
Canada (123)	152.83	+1.1	141.13	130.20	+1.0	3.10	151.17	138.52	128.90	153.59	124.67	120.28
Denmark (36)	196.70	−0.8	181.64	196.16	−0.1	1.62	197.84	181.28	196.43	219.89	165.35	133.69
Finland (26)	125.57	−0.3	115.96	112.42	−0.3	2.48	125.95	115.41	112.73	159.16	123.12	114.17
France (126)	136.74	+0.0	126.27	137.28	+0.7	2.74	136.72	125.28	136.35	139.67	112.57	99.99
West Germany (97)	101.56	+0.5	93.78	98.58	+1.1	2.06	101.08	92.62	98.53	102.43	79.56	79.34
Hong Kong (48)	117.77	+1.7	108.75	117.95	+1.7	4.79	115.82	106.12	118.01	140.33	86.41	98.90
Ireland (17)	159.52	+0.4	147.30	158.57	+0.7	2.79	158.86	145.56	157.46	166.69	125.00	131.72
Italy (97)	92.67	−1.1	85.57	95.50	−0.5	2.39	93.73	85.89	96.02	96.73	74.97	75.82
Japan (455)	188.38	−1.9	173.96	168.14	−0.7	0.48	192.03	175.96	169.27	200.11	164.22	160.63
Malaysia (36)	203.52	+0.2	187.94	211.16	+0.4	2.49	203.03	186.04	210.31	203.63	143.35	132.49
Mexico (13)	306.98	−0.3	283.48	870.64	−0.2	0.58	307.96	282.19	872.75	321.99	153.32	154.52
Netherland (43)	130.18	+0.7	120.21	126.58	+1.3	4.19	129.33	118.51	124.94	130.89	110.63	102.74
New Zealand (19)	81.26	−0.4	75.04	73.42	−0.2	4.68	81.63	74.80	73.60	88.16	62.64	70.77
Norway (24)	184.31	−0.3	170.20	173.99	+0.3	1.49	184.81	169.34	173.46	198.39	139.92	114.28
Singapore (26)	162.72	+0.5	150.26	147.68	+0.9	1.99	161.89	148.35	148.38	170.62	124.57	115.01
South Africa (60)	158.33	−1.2	146.21	135.19	−0.8	4.18	160.24	146.83	136.29	160.24	115.35	106.37
Spain (43)	166.90	−0.5	154.13	151.29	+0.0	3.45	167.67	153.64	151.35	169.75	143.14	141.45
Sweden (35)	181.18	−0.1	167.31	173.07	+0.3	1.98	181.36	166.19	172.64	188.94	136.45	121.65
Switzerland (64)	89.86	−0.1	82.98	91.09	+0.8	2.07	89.91	82.38	90.55	94.16	67.81	77.51
United Kingdom (306)	153.04	+0.4	141.32	141.32	+1.1	4.28	152.50	139.74	139.74	158.41	133.28	127.89
USA (548)	144.17	+1.1	133.14	144.17	+1.1	3.16	142.63	130.69	142.63	144.17	112.13	110.57
Europe (996)	131.06	+0.1	121.03	125.31	+0.8	3.35	130.91	119.96	124.34	132.95	112.63	105.57
Nordic (121)	166.75	−0.3	153.98	155.40	+0.1	1.83	167.25	153.25	155.26	178.38	137.95	114.93
Pacific Basin (669)	184.54	−1.7	170.41	164.90	−0.5	0.72	187.73	172.02	165.80	194.72	160.44	157.22
Euro – Pacific (1665)	163.26	−1.1	150.78	148.89	−0.1	1.58	165.10	151.28	149.18	166.98	141.56	136.58
North America (671)	144.59	+1.1	133.52	143.30	+1.1	3.18	143.04	131.07	141.77	144.59	112.79	111.06
Europe Ex. UK (690)	116.84	−0.1	107.90	115.36	+0.5	2.68	116.90	107.12	114.76	118.18	96.30	91.70
Pacific Ex. Japan (214)	138.28	+1.8	127.70	124.27	+1.5	4.54	136.17	124.77	122.39	138.28	111.93	116.13
World Ex. US (1861)	162.94	−1.0	150.46	148.47	−0.1	1.65	164.66	150.88	148.59	166.35	141.49	135.73
World Ex. UK (2103)	155.37	−0.4	143.48	147.51	+0.2	1.94	156.04	142.98	147.20	156.04	136.98	125.78
World Ex. So. Af. (2349)	155.13	−0.4	143.25	147.00	+0.3	2.14	155.68	142.66	146.66	155.92	136.67	126.06
World Ex. Japan (1954)	139.56	+0.7	128.67	136.27	+1.0	3.31	138.55	126.95	134.96	139.56	114.51	109.33
The World Index (2409)	155.15	−0.4	143.27	146.91	+0.3	2.15	155.71	142.68	146.49	155.89	136.68	125.94

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Alarm bells fade as Tel Aviv marches higher

Hugh Carnegy on why economic gloom has not held back stocks

ISRAEL'S economy may be in the doldrums, with investment down, unemployment up and little sign of real growth, *but there has been* no depression at the Tel Aviv Stock Exchange.

This year, the general share index has marched ahead by more than 60 per cent and the dominant bond market, although less spectacular, has also shown significant growth – well ahead of inflation during the period of 14 per cent.

A one-day slide in the share index of 6 per cent in mid-September rang a few alarm bells, but trading has been calmer since. Most observers put the reverse down to a healthy, if rather abrupt, correction after months of steady appreciation.

Mr Joseph Nitzani, managing director of the exchange, attributes this year's performance to a combination of factors. One, he says, has been a *feeling among investors that* the economic situation will improve. But another important influence stems from the *nature of the exchange itself* – a small market where the Government is still the dominant player and demand outstrips supply, helping to push up both share and bond prices.

There are 280 companies listed on the Stock *Exchange* with a total market capitalisation of about $5.5bn. But they account for only a little over one-fifth of the total market value, the bulk being made up of bonds – mainly issued by the Government – and shares in the leading Israeli banks guaranteed by the Government in an elaborate bail-out of the banking system six years ago.

In the general share market, trading is restricted by the fact *that 70 per cent of stock is* virtually static, held by major shareholders. On top of that, most listed companies are small: only about one-quarter of Israel's 150 largest industrial companies are listed, the rest being owned by the state or the powerful trade union federation, the Histadrut.

However, the stock exchange is hoping for big changes in the near future. Already, since 1985, *a slow but steady* liberalisation of the Government's hold on capital markets has seen a *steep* rise in the sums raised each year through bond issues by the private sector – up to $634m in 1988 from just $52m in 1985.

There are also high hopes at the exchange for the Government's planned privatisation programme which – if it comes off – will see big public issues, by local standards, through the *stock exchange of* shares in leading companies such as Bezeq, the state telecommunications monopoly, and the national electric company.

Mr Nitzani believes the exchange can cope with such *challenges.* He points out that the country's providential and pension funds at present invest only one-tenth of the Shl 2.8bn *($1.4bn) they have available for* investment in public companies because of lack of supply.

He is also encouraged by a recent flow of foreign investment, notably from Mr Robert Maxwell, the UK publisher, in Scitex, and Sara Lee, the US company, in the local textile manufacturer Delta Galil. "You have the money and you have the supply side in the government shares. What is left is only the matching of the two," he says.

There is one other important obstacle, however. Much to the alarm of the exchange, a local court ruled in September that much of the stock exchange's own rule book had no force in law. At present, for example, a company can be controlled by *a "founder's share" without its* holder having any equity and the exchange has no power to deny it a listing.

Urgent steps are being taken to plug this legal sieve temporarily while a whole new set of securities legislation is drawn up.

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The Council of The International Stock Exchange has admitted to the Official List all the shares of common stock of ¥50 par value per share of Mitsubishi Corporation. The number of authorised shares of common stock is 2,500,000,000, of which 1,545,592,926 shares were in issue on 31st August, 1989. *Dealings in the shares of Mitsubishi Corporation will commence at 9.00 a.m. on 4th October, 1989.* The shares of Mitsubishi Corporation are already listed on the Tokyo Stock Exchange and the seven other stock exchanges in Japan.

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4th October, 1989